

PRESS RELEASE

JANET NAPOLITANO
GOVERNOR



CHRISTINA URIAS
DIRECTOR

ARIZONA DEPARTMENT OF INSURANCE

2910 North 44th Street, Suite 210, Phoenix, Arizona 85018-7256 · (602) 912-8456 · FAX: (602) 912-8452
www.id.state.az.us

Media Contact: Erin Klug
Public Information Officer
(602) 912-8456

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New Protections For Life Insurance and Annuity Shoppers

Insurance consumers shopping for life insurance or annuities may find the experience a bit easier now that provisions of a new law went into effect¹. The law establishes new requirements for insurers and producers who sell new or replace existing life insurance policies and annuity contracts.

“Because there are significant penalties for early termination of both life and annuity contracts, it is imperative that consumers understand the ramifications of “replacing” a life policy or annuity contract,” said Christina Urias, Director of Insurance. “These insurance contracts are quite complex and certain changes may carry substantial financial consequences, so that a consumer’s understanding the benefits and limitations of their purchases is crucial. The new laws increase the amount of information available to both life and annuity applicants early in the purchasing process and gives annuity applicants additional time to assure informed decisions.”

Although Arizona law already required certain protections for life insurance applicants, HB 2186 created parallel protections for annuity purchasers. Here are some of the new protections:

Free Look

Annuity purchasers age 65 or older on the date of application now have a 30 day “free look period” (increased from 10 days). This means the applicant has 30 days to review the annuity and return it without penalty for *any* reason within the “free look period.” This provision² took effect 9/18/03.

If you are buying life insurance or an annuity, you may be entitled to receive the following documents to help you make informed decisions:

<u>Life</u>	<u>Annuities</u>
* Replacement Notice	* Replacement Notice
* Policy Summary	* Buyer's Guides – <i>Guide to Fixed Deferred Annuities</i>
* Buyer's Guide to Life Insurance (optional)	<i>Guide to Equity Indexed Annuities</i>
	* Policy Summary
	* Disclosure Notice
	* Annuity Annual Report

¹ HB2186 (2003) enacted Arizona Revised Statutes, Chapter 6, Article 1.1 *Replacement of Life Insurance Policies and Annuity Contracts* (A.R.S. § 20-1241 et. seq.). Most provisions effective January 1, 2004.

² Arizona Revised Statutes § 20-1233

Informed Decision Making

To aid consumers in making informed purchase decisions, insurers must now provide with the following information:

1. **Replacement Notice** - Outlines potential consequences of replacing an existing life insurance policy or annuity with a new one. Life insurance applicants already received a replacement notice, but the new law improved the content of the notice and requires that annuity applicants receive them as well.
2. **Buyer's Guides** – Producers (agents) must give annuity applicants relevant guides at the time of solicitation. Guides outline key features of annuity policies:
 - √ *Buyer's Guide to Fixed Deferred Annuities*
 - √ *Buyer's Guide to Equity Indexed Annuities*
 - √ *Buyer's Guide to Life Insurance* (not required, but often available)
3. **Disclosure Notice** – Describes key annuity contract benefits, guaranteed and non-guaranteed elements, explains initial crediting rate and any periodic income options, and how values can be accessed.
4. **Policy Summary** – Summarizes policy provisions including death benefit, annual premium, cash surrender values, current dividend and any loan amounts, among other things (required for both life and annuity contracts).
5. **Annual Report** – Required for certain annuities, this report must include information about accumulation and cash surrender values, total amounts credited and charged, and amount of any outstanding loans.

Insurance Agents

Insurers must supervise producers' compliance with life and annuity replacement laws, including all disclosure requirements. The new law requires producers to provide insurers with copies of the replacement notices signed by the applicant (demonstrating that the producer made the applicant aware of the ramifications of replacing an existing policy). Producers must also provide insurers copies of sales materials (illustrations, advertisements, etc.) used in the sale of the life insurance policy or annuity.

These additional requirements not only assure complete disclosure and reduce the risk of a producer failing to provide replacement information to an applicant, but also creates a record of what information was presented to an applicant at the point of sale.

General consumer protection tips

- * Be sure the salesperson you're dealing with is licensed by the Department of Insurance (www.id.state.az.us) and, if necessary, the Securities Division (www.ccsd.cc.state.az.us).
- * Carefully evaluate whether an annuity product is suitable for your needs before replacing one or purchasing a new one.
- * Knowing your finances and tax situation can help you make effective insurance decisions.
- * Don't succumb to "high pressure" sales tactics.
- * Ask for and read explanatory documentation such as Buyer's Guides, Policy Summaries, and Notices.
- * Ask questions and take notes.
- * If possible, have a friend or family member with you during the "sales pitch" to help you think of questions and to remember what was said.
- * Never pay in cash and always make the check payable to the *insurance company*, not the agent.
- * Read the policy upon receipt and ask necessary follow up questions.
- * Use "Free Look" periods.

Consumer Resources

Arizona Department of Insurance

2910 N. 44th Street, 2nd Floor
Phoenix, Arizona 85018
(602) 912-8444 or
(800)325-2548 (outside Maricopa)
Email: consumers@id.state.az.us
Website: www.id.state.az.us

Other Life Insurance and Annuity Resources

- ◆ American Council of Life Insurers (ACLI):
www.acli.org
- ◆ Insurance Marketplace Standards Association (IMSA):
www.imsaethics.org
- ◆ National Association of Insurance and Financial Advisors (NAIFA):
www.naifa.org

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