



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Bulletin IC-17
October 17, 2001

TO: ALL INSURERS LICENSED TO WRITE LIFE INSURANCE AND ALL LICENSED PRODUCERS

RE: SALES OF DEFERRED ANNUITIES

The Insurance Department is concerned with a sudden increase in the number of complaints received from Connecticut's elderly and other vulnerable populations regarding what appear to be inappropriate sales practices by certain agents and companies selling individual and group, fixed and variable, deferred annuities.

In particular, the Insurance Department is concerned with agents, insurance companies, bank, brokerage, or other financial representatives encouraging consumers to incur substantial financial penalties by withdrawing funds from matured or unmatured certificates of deposit, life insurance, 401k accounts, savings accounts, or other investments and assets for the purchase of annuities. Encouraging the withdrawal of this money without first clearly explaining surrender charges and penalties, mortality charges, limited introductory rates, and similar expenses, and without considering the appropriateness of a deferred annuity based on an individual's age, health condition, marital status, and financial objectives, is misleading and an unfair insurance practice in violation of sections 38a-815, 38a-816(1)(a), 38a-816(1)(f) or 38a-816(2) of the Connecticut General Statutes and sections 38a-819-24 or 38a-819-25 of the Regulations of Connecticut State Agencies.

More broadly, the Insurance Department is concerned about the purchase of a deferred annuity where the purchase does not meet the need of the insured, where the product features are not fully explained, or where withdrawal features or penalties are not clearly explained and understood by the insured or the insured's designated representative.

The Insurance Department will not tolerate these sales practices by any Connecticut licensee. Violations of the Connecticut Unfair Insurance Practices Act can lead to suspension or revocation of license pursuant to §38a-774 of the Connecticut General Statutes. The Insurance Commissioner expects these sales practices to end immediately and asks agents, companies, and citizens who believe these practices have occurred to report them to the Insurance Department for immediate, forceful action, as warranted. Additionally, the Insurance Department advises agents to maintain records, for potential review by the Insurance Department, that support the suitability of their recommendations regarding the purchase of annuities.

The vast majority of Connecticut's agents are upstanding citizens who promote good business practices and appropriately advise their clients. However, the few agents who are failing to provide complete disclosure and failing to ensure that the sale is appropriate reflect poorly on all agents and the insurance industry in general. These unfair practices also jeopardize the reputation of an insurance product that can frequently serve as a wise investment tool for many consumers. With your help, we can eliminate these unprofessional tactics and maintain the insurance industry's good standing with Connecticut consumers.


Susan F. Cogswell
Insurance Commissioner

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