



## Insurance Division

### *CONSUMER ALERT*

#### **How you can ensure your annuity or life insurance policy is suitable for you**

Suitability is the appropriateness of an insurance product for the purchaser's financial situation, risk tolerance and goals. Your insurance agent needs to understand your personal finances before helping you select your financial products.

A rule took effect in Oregon on January 1, 2005, that protects consumers from buying unsuitable life insurance policies and annuities. Oregon Administrative Rule 836-080-0090 makes determining a products' suitability a requirement of the producer (your insurance agent).

In order to ensure that you are getting the right products for your financial goals, you need to discuss the following with your insurance producer before he or she makes a recommendation for you: age, life expectancy, family health, beneficiaries, risk tolerance, investment experience, assets, liabilities, time frame or investment horizon, and asset allocation or your present diversification. Your tax situation as it applies to the recommended insurance product should also be discussed as well as your retirement goals and considerations.

You should ask about the surrender schedules on annuity products. In some cases they may exceed 10 years. Ask how surrender schedules are applied. Are they from the contract start date or are they from the date the payments are made? Annuities that contain bonuses or higher initial interest rates for initial purchases will have higher expenses and longer surrender schedules. Understand that these bonuses are an inducement to purchase this product.

Be sure to ask about any withdrawal considerations or penalties. It is just as important to understand how much and when you will use your investments or insurance as it is to fund it. Make sure you understand your rights and privileges contained in your contract including the rights of your beneficiaries. You do not want to subject yourself or your family to needless fees and penalties to use your own money.

Be wary of any producer who is making the sales pitch before understanding all of your goals and needs. If a producer is not willing to discuss these items as they relate to your financial goals, consider working with someone else. A producer's failure to disclose tax consequences of annuity transactions, unexpected surrender charges, loss of death benefits and other types of consequences when selling a deferred annuity may be unlawful.

Annuities and life insurance can be complicated. There are many types of these products with even more amendments, riders, and endorsements. Make sure you understand what you are buying and how it will work to your family's benefit. You should ask for a sample contract and read it before purchasing. If you have questions or do not understand any of the terms and conditions, ask for an explanation. Like any contract, you should read and understand it before making your purchase.

Further information on types of these products may be found on the Oregon Insurance Division's Web site [www.insurance.oregon.gov](http://www.insurance.oregon.gov) or on the National Association of Insurance Commissioners' Web site <http://www.naic.org>.

If you feel that you may have purchased an unsuitable product, you can contact the Consumer Advocacy Unit of the Oregon Insurance Division at 503-947-7984 or file a consumer complaint on our Web site, [www.insurance.oregon.gov](http://www.insurance.oregon.gov) and we will contact you.