

Insurance Division, 350 Winter St. NE, Room 200, Salem, Oregon 97301-3878

For immediate release:
Oct. 30, 2008

For more information:
Cheryl Martinis (503) 947-7213

State orders Bankers Life to change annuity practices

Company will also review past sales, pay \$150,000 fine

(Salem) — The Oregon Department of Consumer and Business Services this week ordered a life insurance company to change the way it sells annuities after finding that the company sold policies to seniors who couldn't afford them.

At the department's direction, Bankers Life and Casualty Company has already given refunds to about 20 seniors who were sold annuities that took most or all their money, leaving them unable to pay other expenses. The department's order requires Bankers to review additional annuity sales, offer refunds to those for whom the sales were unsuitable, take steps to protect future clients, and pay a \$150,000 fine.

"Oregon has strong standards that protect seniors against unsuitable sales of financial products," DCBS Director Cory Streisinger said. "Many seniors are worried about how to secure their financial future, and they have a right to expect that products offered to them will meet their needs, not take advantage of them."

The department adopted rules protecting seniors against unsuitable sales of annuities in January 2005, and the order requires a review of certain annuities sold since that date. Bankers will be required to contract with an independent firm to conduct the review. Annuities found to be unsuitable, based on criteria established by the department, may be canceled without surrender charges.

The department's order will also require more scrutiny of annuity applications by Bankers in the future.

The company will need to document that it has researched a client's age, financial situation, and insurance objectives well enough to know whether the client can afford the annuity and whether it is appropriate for the client's needs. The state's recent investigation of Bankers concluded that the company, in at least 20 cases involving 30 annuities, failed to do adequate research regarding its clients' situations, or encouraged seniors to put most or all of their financial assets into an annuity without considering their expenses and debt.

An annuity is an insurance contract purchased with an initial payment or series of payments that provides the purchaser with a future income stream. Many annuities include high up-front costs and penalties for early withdrawal.

Bankers has Oregon branch offices in Portland, Eugene and Medford. The department previously took actions against two Bankers agents in Eugene for unsuitable sales. One agent surrendered her license in lieu of enforcement after the department found that she failed to research a client's financial situation before recommending an annuity. The other agent was fined \$2,000 for recommending that a client incur unnecessary state and federal taxes by cashing in three annuities with Bankers - to buy a new annuity with Bankers - even though the client could have kept the original annuities with the company.

Bankers cooperated in developing the action plan contained in the department's order, and agreed to the order and the fine.

The investigation into Bankers' annuity sales is part of the department's ongoing emphasis on helping senior citizens protect themselves against insurance and financial abuse. The department reached about 2,000 consumers during the past year at presentations about these issues and provided new information about insurance and financial abuse on its Web site and through free publications. Consumer advocates in the department's Insurance Division are also available to provide free help with insurance questions and complaints and are available to speak to groups about insurance issues. They can be reached at (888) 877-4894.

###

The department's full enforcement order against Bankers may be found at:

http://www.cbs.state.or.us/external/ins/admin_actions/actions_2008/insurer_2008/marketplace_2008/08-10-004.pdf

Additional information on annuities for consumers can be found at: <http://insurance.oregon.gov/consumer/life-insurance/annuities.html>

Bankers' contact: Senior Communications Director Barbara Ciesemier. She may be reached at (312) 396-7461 or by e-mail at b.ciesemier@banklife.com

The Insurance Division is part of the Department of Consumer & Business Services. For more information, visit www.insurance.oregon.gov. The Department of Consumer and Business Services is Oregon's largest business regulatory and consumer protection agency. For more information, visit www.dcbs.oregon.gov.