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New state rules require more care in annuity sales *Insurers must monitor sales to deter consumer harm*

(Salem) — Consumers who buy annuities will be better protected from inappropriate sales when new requirements for insurance companies and agents take effect July 1.

The new rules, issued by the Department of Consumer and Business Services (DCBS), require insurance companies to closely monitor annuity sales to make sure these complex contracts are a good fit for buyers. Additionally, agents who sell annuities must take a one-time, four-hour class covering the different types of annuities, their tax implications and the information consumers need to make good decisions.

“Oregon has long made it a priority to protect seniors as they plan for their financial future,” said Scott Harra, acting director of DCBS. “While the vast majority of insurance agents are honest and trustworthy, a few put commissions ahead of their clients’ best interests.”

A typical annuity buyer, who often is planning for retirement, pays a lump sum of money or makes premium payments in return for income at regular intervals. Last year, annuities generated more than \$2 billion in premium for life insurance companies in Oregon.

The new rules build on strong standards that Oregon established in 2005 to deter unsuitable annuity sales. For example, agents must consider such factors as the client’s age, life expectancy, family health, risk tolerance, overall financial situation and tax implications before selling an annuity.

Since 2009, the department has revoked or suspended the licenses of 15 agents for selling annuities that consumed too much of a client’s income or were not likely to generate benefits until after the client’s death or were unsuitable for other reasons.

The new rules clearly make companies responsible for detecting and stopping unsuitable sales. For example, the company or agents must keep records of the client research that was done to determine whether a sale was appropriate. Records must be kept for three years after the sale.

“One of our biggest concerns involves agents who try to replace one annuity for another,” said Teresa Miller, administrator of the DCBS Insurance Division. “This generates additional commission for the agent but can cost seniors in taxes and penalties.”

Existing agents have six months from July 1 to take the newly required class, which cannot cover marketing or sales techniques. New agents licensed after Aug. 1 must undergo the training before selling annuities.

Consumers who have questions about an annuity sale or other insurance issue can call the Insurance Division’s consumers advocates at 1-888-877-4894 or, in Salem, 503-947-7984. This brochure provides more information about purchasing insurance and annuities: <http://insurance.oregon.gov/publications/consumer/4106.pdf>

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