

# Suitability of sale of annuities- *March 2009*

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## What this bill will do

Consumers interested in buying an annuity will receive a clear and meaningful explanation of the product from their insurer or agent that helps them determine if the product is right for them.

## Background

Annuity sales are on the rise and so are consumer complaints. Since 2005, the Insurance Commissioner's office has received more than 350 consumer complaints. Many of these people who called did not understand the product they bought.

The law protects consumers who purchase life insurance by requiring that they be given detailed information on how the policy will perform before they buy it. This disclosure is not required for annuities.

## The problem

Annuities are complex financial products and can be structured in many different ways. The increased sales of annuities and their complex nature make consumers targets for predatory sales practices.

Many annuity buyers are losing money instead of receiving a reliable income from the product. They don't understand how the annuity works or if the product is right for them.

Consumers rely on the seller and the insurer for information about surrender penalties, when money is provided, and the level of risk involved in the annuity, yet there is no standard format for explaining this information.

## The solution

Washington is joining 46 other states that have adopted similar laws placing the responsibility on the insurance industry to make sure an annuity sale is appropriate for each buyer.

This bill:

- Requires sellers to ask about the consumer's financial situation and goals, and evaluate whether the annuity being sold is right for that person.
- Requires the insurance industry to set up a system to confirm the seller of an annuity is assessing the suitability of the product before it's sold to the consumer.
- Grants the Insurance Commissioner rule making authority to administer and supervise compliance with the law.

**Sales of annuities are increasing and so are consumer complaints**

**Many consumers do not understand the risks and benefits of the annuity they've bought**

**This bill requires sellers to evaluate a consumer's financial situation before selling them an annuity**

**The insurance industry must set up a system to make sure the seller is assessing the suitability of the product.**

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