



# State of Connecticut

## *Insurance Department*

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COMMISSIONER

### **OFFICIAL NEWS RELEASE**

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## **THOUGHT YOU KNEW ABOUT ANNUITIES? ASSESS BEFORE YOU INVEST**

*Connecticut Insurance Commissioner Thomas R. Sullivan offers 8 tips to use when considering annuities*

Hartford, CT, January 30, 2008— Annuities are complex financial instruments and — according to the [Connecticut Insurance Department](#) — misunderstandings about this investment product cost American consumers millions of dollars and result in thousands of consumer complaints every year.

“While seniors are a prime target of financial scams, consumers of any age can easily be confused by the many different types of annuities available today,” said Commissioner Sullivan. “However, education about annuities can help all consumers protect their resources and avoid being victimized. Before signing, consumers should always read the fine print of their insurance policies carefully.”

### **Understanding the Basics about Annuities**

An annuity is a contract sold by an insurance company that provides income payments on specified dates in return for a premium or premiums paid. Such payments typically continue during the lifetime of the individual or for a specified term, and may be payable immediately or deferred to a future date. The most common types are variable annuities and fixed annuities.

With a variable annuity, the accumulated value or the amounts of the benefit payments fluctuate according to the investment performance of the funds in separate accounts. Such funds can be invested in stocks, bonds or other financial instruments. This type of annuity poses the most risk, because consumers could potentially lose some or all of their money if the investment does not perform well.

With a fixed annuity, the money, less any applicable charges, earns interest at rates set by the insurance company or as specified in the annuity contract. The company guarantees that it will pay no less than a minimum rate of interest. The amount of each payment is usually the same, but some annuities have provisions for changing the amounts of the payments. The annuity may be an immediate or deferred annuity.

### **Tips Regarding Annuities from the Connecticut Insurance Department**

1. **Read the fine print.** Look carefully at the annuity you are considering. Check the interest rate, find out how quickly the annuity will grow in value and when you can reap its benefits. Some annuity rates can change over time, so make sure that you understand the difference

between the guaranteed minimum rate, the current rate and any first-year or so called “bonus” rates. Also make sure you know whether the annuity is tax-deferred, meaning that you will not have to pay taxes until you receive payments from the annuity.

2. **Try before you buy.** Connecticut has a “free look” law that gives you 10 days to review an annuity contract *after* you buy it. You can back out of the contract at any time within the “free-look” period; a refund is required to be issued within an allotted time period, as stated in your contract. Take advantage of this review period to make sure you understand what you are purchasing.
3. **Don’t get caught by surrender charges.** Withdrawing your money from an annuity before it has matured might subject you to fees, known as surrender charges, as well as other administrative fees and acquisition costs. There could be high penalties if you make a withdrawal prior to the maturation date provided in the policy. Be sure you are aware of these provisions so that you don’t inadvertently incur such costs.
4. **Don’t judge a financial professional by title alone.** Designations such as “certified senior adviser,” “certified retirement financial adviser,” “chartered senior financial planner” and “certified financial gerontologist,” might seem to imply expertise in providing investment advice to senior citizens. However, such titles don’t always guarantee that the financial professional actually has specialized knowledge or education in that area. Ask them what the designations mean to them and what they had to do to earn them. Ask them if they have ever lost or given up a designation and, if so, why.
5. **Ask for help.** Many people have been harmed by annuity scams. If you are concerned that you might have been misled by a fake company or fraudulently sold a misrepresented product, call

the Connecticut insurance department at 800-203-3447 to get assistance and/or to file a complaint.

6. **Check the insurance company’s credit rating.** Through resources such as Standard & Poor’s, A.M. Best Co. or Moody’s Investors Services, you can see whether the annuity company you are considering has a solid credit rating. An “A+++” or “AAA” rating is a sign of strong financial stability.
7. **Check the NAIC’s Consumer Information Source (CIS).** The NAIC provides a database for consumers to research an insurance company’s financial information and complaint data. *The information in the CIS is supplied voluntarily by state insurance departments. Not all states provide the data, nor are all companies listed within the directory.* The CIS is available at [www.naic.org/cis/index.do](http://www.naic.org/cis/index.do).
8. **Stop. Call. Confirm.** All consumers should verify that they are dealing with a licensed agent when purchasing an annuity by following three simple steps. The NAIC recommends (1) STOP before signing anything or writing a check; (2) CALL the Connecticut Insurance Department at 800-203-3447 or visit online at [www.ct.gov/cid](http://www.ct.gov/cid) (3) **CONFIRM** the agent offering the annuity is legitimate and licensed in your state.

To help consumers better understand their choices, the [National Association of Insurance Commissioners \(NAIC\)](http://www.naic.org) offers free consumer guides about annuities: the *Buyer’s Guide to Fixed Deferred Annuities* and the *Buyer’s Guide to Fixed Deferred Annuities with Appendix for Equity-Indexed Annuities*. Both guides can be obtained through the **Connecticut Insurance Department Consumer Affairs Division at 800-203-3447**. Consumers can also get smart about insurance and learn how to avoid being scammed by fake insurance companies at the NAIC Insure U Web site, [www.insureUonline.org](http://www.insureUonline.org)

## ABOUT THE CONNECTICUT INSURANCE DEPARTMENT

The mission of the Connecticut Insurance Department is to serve consumers in a professional and timely manner by providing assistance and information to the public and to policy makers, by regulating the insurance industry in a fair and efficient manner which promotes a competitive and financially sound insurance market for consumers, and by enforcing the insurance laws to ensure that consumers are treated fairly and are protected from unfair practices. For more information, visit the Connecticut Insurance Department at [www.ct.gov/cid](http://www.ct.gov/cid).

## ABOUT THE NAIC

Headquartered in Kansas City, Missouri, the National Association of Insurance Commissioners (NAIC) is a voluntary organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and five

U.S. territories. The NAIC's overriding objective is to assist state insurance regulators in protecting consumers and helping maintain the financial stability of the insurance industry by offering financial, actuarial, legal, computer, research, market conduct and economic expertise. Formed in 1871, the NAIC is the oldest association of state officials. For more than 135 years, state-based insurance supervision has served the needs of consumers, industry and the business of insurance at-large by ensuring hands-on, frontline protection for consumers, while providing insurers the uniform platforms and coordinated systems they need to compete effectively in an ever-changing marketplace. For more information, visit NAIC at [www.naic.org/press\\_home.htm](http://www.naic.org/press_home.htm).

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