

Think Twice About Replacing Annuities

Consumers Cautioned About Being Pressured to Cancel AIG Policies

In the light of recent market issues, consumers may be approached to replace their insurance products, especially those products underwritten by one of the American International Group (AIG) insurance companies. Before replacing a policy consumers should consider the following:

- Replacing or liquidating an annuity or life insurance policy can have hidden costs and tax consequences. Be aware that some policies may contain surrender charges and/or cancellation penalties.
- Don't be pressured to make an immediate decision. Unscrupulous agents may prey on your "time fears." They may try to convince you to change coverage quickly without giving you the opportunity to do adequate research.
- Idaho state law requires a suitability analysis before the sale or replacement of any annuity product. A suitability analysis should include an evaluation of your financial position, income needs and the cost of liquidating any assets.
- Make sure you read and fully understand the terms and conditions of your current insurance policy and any insurance policy you may purchase before making a final decision. Terms and conditions of each annuity contract will vary.
- Talk to a trusted financial adviser or family member before making any decisions. Whether you should cash in your insurance policy or switch insurance to another insurer is a personal decision.
- The proof is in the paperwork. Get all key information in writing. If you decide to replace your policy, keep a copy of all paperwork you complete and sign, as well as any correspondence.
- Contact the Idaho Department of Insurance to obtain a list of the information your agent or broker should give you before you make a decision.
- If you do decide to replace your policy, keep paying the premiums on your current policies until a new policy is issued. Failure to pay your premiums can result in the termination of your insurance policies and could result in a gap in coverage.
- Idaho law dictates that you have 20 days to look at the annuity contract after your purchase. If you decide during that time that you don't want the annuity, you can return the contract and get all your money back. This is often referred to as a free look or right to return period. The free look period should be prominently stated in your contract. Be sure to read your contract carefully during the free look period.

Information on AIG

The financial trouble with AIG is with its non-insurance parent company, which is not regulated by the states and therefore not held to the same investment, accounting and capital adequacy standards as its state-regulated insurance subsidiaries. The AIG insurance companies are separate entities, regulated by state insurance departments.

These AIG insurance companies are financially solvent and paying policyholder claims. If an agent tells you to replace any policy because an AIG insurance company is in trouble and may not be able to pay your claim, this statement is false and could be a violation of the Unfair Trade Practices Act in most states. If such a claim is made as part of a sales pitch, consumers can check the financial health of the insurance company by contacting the Idaho Department of Insurance, or by using the financial information tools on the NAIC's Consumer Information Source (CIS) at: <https://eapps.naic.org/cis/>.

Information on Guaranty Associations

If it appears that an insurer is not going to be able to fulfill its promises to policyholders, the Department can take over management of that insurer through conservation or rehabilitation. Even if liquidation of an insurance company is necessary, policyholder claims will generally be paid either by the insurance company or by a guaranty fund, which all states have in place to provide coverage to policyholders. This protection applies to direct business written by authorized licensed insurers. For more information, visit the National Organization of Life and Health Insurance Guaranty Associations (NOLHGA) at www.nolgha.com or the National Conference of Insurance Guaranty Funds (NCIGF) at www.ncigf.org.