
"Free-Lunch" Seminars Still Baiting Seniors

By Editor Test Tue, Jul 14, 2009

This time, indexed annuity sellers were not among the accused.

Despite widely publicized regulatory efforts to suppress the practice of attracting senior citizens to insurance sales seminars with offers of "free lunches," the practice apparently continues. And in one recent incident, variable annuity sellers, not indexed annuity sellers, were the accused.

In late June, the Securities and Exchange Commission charged Poughkeepsie, N.Y.-based Prime Capital Services and several of its employees with allegedly pursuing fraudulent and unsuitable sales of variable annuities to senior citizens at free-lunch seminars in Boca Raton, Delray Beach, Boynton Beach and Melbourne, Fla.

Prime Capital Services (PCS) and its parent company recruited elderly investors to attend the seminars, after which the prospective investors were encouraged to meet privately with PCS representatives who then induced them to buy variable annuities, the SEC said.

The sales presentations allegedly concealed high costs and lock-in periods. The SEC alleges that many of the variable annuities were unsuitable investments for the customers due to their age, liquidity, and investment objectives.

"They used free lunches as the low-tech bait for their high-scale scheme," said Robert Khuzami, Director of the SEC's Division of Enforcement. The enforcement action alleges that the variable annuities generally paid approximately six percent in total sales commissions.

According to the SEC, PCS is a registered broker-dealer owned by Gilman Ciocia, Inc. (G&C), an income tax preparation business in Poughkeepsie that offers financial services in New York, New Jersey, Pennsylvania and Florida.

Certain written disclosures provided to customers and other records in customer files were incomplete or inaccurate, the SEC reported. In some cases, the paperwork allegedly was altered after it was signed by the customer to make it appear that disclosures were provided and the sales were suitable when, in fact, they were not.

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