
Life insurers fined over annuity exchanges

By Editorial Staff Thu, Sep 26, 2019

'The settlements are part of an ongoing, industry-wide investigation into immediate annuity replacement practices in the state,' New York regulators said.

Six life insurance companies have agreed to pay New York \$1.8 million to settle allegations that they conducted deferred to immediate annuity replacement transactions that violated state regulations, FA-mag.com reported this week.

“These six carriers failed to properly disclose to consumers income comparisons and suitability information, causing consumers to exchange more financially favorable deferred annuities with immediate annuities,” the New York Department of Financial Services said in a press release.

The annuity replacement transactions resulted in less income for consumers for identical or substantially similar options, the department added.

Last year DFS issued a regulation that ensures recommendations related to life insurance and annuities are in the best interest of the consumer and appropriately address the insurance needs and financial objectives of the consumer at the time of the transaction.

These are the insurance companies that were cited for the violations, followed by the consumer restitution and penalty, respectively, that they agreed to pay:

- Companion Life Insurance Co., \$462,122, \$186,000
- Guardian Insurance & Annuity Company Inc., \$218,589, \$224,000
- Northwestern Mutual Life Insurance Co., \$31,937, \$26,000
- The Penn Mutual Life Insurance Co., \$322,584, \$133,000
- The Prudential Insurance Company of America, \$14,020, \$35,000
- The U.S. Life Insurance Company in New York City, \$102,902, \$69,000

The insurers will collectively pay \$1.15 million in restitution and \$673,000 in penalties, the department said.

As part of the agreements, the department said, many state consumers will receive additional restitution in the form of higher monthly payout amounts for the remainder of their contract terms. “The insurers have agreed to take corrective actions, including revising their disclosure statements to include side-by-side monthly income comparison

information and revising their disclosure, suitability, and training procedures to comply with regulations,” the press release said.

The settlements are part of an ongoing, industry-wide investigation into immediate annuity replacement practices in the state, the department said.

© 2019 RIJ Publishing LLC. All rights reserved.