



# CONSUMER ALERT

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## ANNUITIES

**B**efore purchasing any insurance policy, ask the agent specific questions about how the company handles issues related to the military deployment of their policyholders. Each company's practices can vary. Compare prices and the level of service across a few different insurance providers. By shopping around, you may be able to find an insurer who specializes in needs of service members.

Before you leave on a military deployment, check your policy renewal date and payment terms with your agent to ensure your coverage will remain in effect during deployment. If necessary, you may be able to renew a policy early or have your premiums paid by automated bank draft. Some insurance companies might also allow you to suspend certain coverage while you are deployed.



To help members of the military better understand their insurance needs, the National Association of Insurance Commissioners offers tips and considerations regarding auto, home, health and life insurance.

### Special Considerations for Members of the Military

- Anyone who sells life insurance at military installations is required to obtain permission from the Department of Defense to be an authorized solicitor. Such an individual must also have a license from a state insurance department. When dealing with an agent, ask to see his/her permits and licenses to be sure you are dealing with a legitimate individual.
- Currently, many private insurance carriers do not offer coverage for Acts of War. Military personnel are provided some death benefits, but may purchase a limited amount of additional coverage through the Service Members' Group Life Insurance (SGLI), a low-cost group life insurance program, which includes benefits for death resulting from Acts of War. Be sure you understand the benefits paid by the policy if you were to die in a war zone or were to be killed through an act of war. If you purchase an individual military-focused policy, check with your agent to make sure it does not duplicate coverage for your family that could be obtained elsewhere.
- Service members can contact their Flight, Payroll and/or Finance Office for further details on premium payment and refund issues. Service members and their beneficiaries should contact the Office of Service Members' Group Life Insurance (OSGLI) for pending claims.

## Annuity Considerations

- 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.
- Try before you buy. Many states have “free look” laws that give you a set number of days — typically 30 to 60 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.
- 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.
- 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.
- 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 your state insurance department to get assistance and/or to file a complaint. You can file a complaint directly with your state insurance department via the NAIC’s Web site at [www.naic.org/cis/fileComplaintMap.do](http://www.naic.org/cis/fileComplaintMap.do).
- 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.
- 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).
- **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** your state insurance department; contact information is available at [www.naic.org](http://www.naic.org); (3) **CONFIRM** the agent offering the annuity is legitimate and licensed in your state.

## Considerations for All Life Situations

There are two basic types of life insurance.

- The first is **term insurance**, which covers you for a term of one or more years. It pays a death benefit only if you die in that term. Term insurance generally offers the largest insurance protection for your premium dollar. It generally does not build up cash value, and it may not be renewable at the end of the term or may cost considerably more to continue.
- The second type is **permanent life insurance**, which goes by several names, such as universal life, variable universal life and whole life. Permanent insurance may provide long-term financial protection. These policies include both a death benefit and, in some cases, cash savings. Because of the savings element, premiums tend to be higher.

A number of factors affect life insurance premiums. These include:

- The age you purchase your policy. The older you are, the more expensive the premiums.
- Your overall health. Life insurance companies typically ask you about your medical history, request access to medical records and even obtain blood and urine samples for testing.
- Pre-existing and/or chronic health problems, such as diabetes, heart disease, cancer or sexually transmitted diseases may prevent you from getting life insurance or place you in a high-risk pool at greater cost.
- Poor health habits, such as smoking and excessive drinking. Be aware that insurance companies may look back and consider these behaviors for the past five years.
- Engaging in dangerous hobbies, such as skydiving, skiing or rock climbing
- Your driving record, in terms of accidents, DWI/DUI citations, claims and tickets. The better your driving record, the better rates you'll receive for your life insurance.
- Your geographic area. Life insurance companies have access to regional data that document mortality rates and life expectancy, and they use that data to calculate the rates they offer.

Some of these factors are in your control. Others are a function of your genetics, occupation or location. Either way, it's important for you to be educated on these issues so that you can make the best insurance decisions to fit your life.

## Contacting Your State Department of Insurance, Securities and Banking

You should contact a state insurance, securities and banking department if you believe you have encountered deceptive sales practices or you discover that the policy you purchased was misrepresented to you. The state you contact should be the state where you are currently listed as a resident, regardless of whether you are currently stationed in some other state or you are stationed outside of the United States. You may also contact your resident state department of insurance, securities and banking if you have any general questions about insurance.

For more information regarding the Insurance Regulator in Washington, DC please contact: DC Department of Insurance, Securities and Banking, 810 First Street, NE, Suite 701, Washington, DC 20002, 202-727-8000.

This information was made possible by the National Association of Insurance Commissioners.