Purpose
To require the providing of a disclosure notice and an annuity buyer’s guide to clients at point of sale, and to state that the disclosing of an annuity’s features is no defense if the Oregon Insurance Division should determine that the sale was unsuitable.

Summary
The Oregon Insurance Division has implemented rules for disclosure in an annuity sale (OAR 836-051-0900 – 0925). Effective October 1, 2008, Oregon requires distribution to the client of a disclosure statement, which is already required of brokers. In addition to the appropriate product disclosure statement, a copy of the NAIC’s Buyer’s Guide to Fixed Deferred Annuities must now be left with the applicant. All new-business forms are at: http://www.standard.com/annuities/states/new-business-or.html

A new Oregon regulation (OAR 836-080-0095) supplements Oregon’s suitability regulation (OAR 836-080-0090, which does not follow the NAIC suitability model regulation). The new regulation states that disclosing an annuity’s features is not a sole defense if the Oregon Insurance Division determines the sale was unsuitable.

Detailed Analysis
The Standard already requires brokers to provide the appropriate product disclosure statement to clients; these disclosures conform to Oregon’s new disclosure regulation. The NAIC’s Buyer’s Guide to Fixed Deferred Annuities must now also be provided when recommending any annuity to a resident of Oregon. We may issue the most current version adopted by the NAIC as entered as Exhibit 1 in the new OAR 836-051-0910, purchase it from the NAIC, or reproduce it in our own format.

Oregon requires a free-look period of ten or fifteen days (depending on whether the buyer’s guide and disclosure have been delivered at the time of application or contract delivery). The Standard provides a thirty-day free look period, easily complying with this requirement.

The new Oregon disclosure regulations contain elements that deviate from the NAIC model regulation. One deviation about information that must be included in the disclosure regards value reductions caused by withdrawals or surrender. Required is:
• also a dollar-figure statement, which may be specific to the contract or given as an example using round numbers, of the maximum effect of penalties, surrender charges, market value adjustments and any other adjustments owing to a withdrawal or surrender.

The combination of our disclosure documents and illustrations presented to the client at point of sale satisfies this requirement.

A second deviation from the model regulation is a list of items to be reported at least annually on the statement to contract owners. For a deferred annuity with only guaranteed elements and no cash surrender value during the accumulation period, the statement must include at least:

(a) The beginning and end date of the current report period.
(b) The selected annuitization date, including any time restraints for changing the annuitization date.
(c) The selected annuitization option, including any time restraints for changing to another option.
(d) Any additional benefit values, such as the death benefit and any optional access to cash values.

The annuity described in the regulation is a pension annuity. An annual statement for immediate annuities being prepared now includes all these items but the selected annuitization date, so we will add that to the letter which can then be used for both immediate annuities and pension annuities.

Oregon’s rule supplementing its regulation of annuity sales suitability states that disclosure to a consumer about the nature of an annuity would not be a sole defense if Oregon’s Department of Consumer & Business Services director determined a sale unsuitable. The Standard requires that a broker collect information on the suitability of annuity sales in every state and that he or she submit our form 12216, Acknowledgment of Suitability in an Annuity Purchase, with a client’s application. Closely following procedures to be sure every annuity sale is suitable for the client lessens the chance that we will have to defend the suitability of any sale of a Standard Insurance Company annuity.

Suggested Responses

Add the NAIC’s Buyer’s Guide to Fixed Deferred Annuities to our web site for Oregon brokers to use in annuity sales.

Notify Oregon brokers of the new rules, linking their notice to this detailed alert. Remind them of the importance of determining suitability of every annuity sale.

Add the selected annuitization date to the annual statement for the TIA, SIA, and any pension annuity product.