Annuity Disclosure Initiative: Frequently Asked Questions

How will the disclosure initiative benefit consumers?
The initiative will help to ensure that consumers have clear, concise information about annuities. Consumers can learn how surrender charges work, what is guaranteed and not guaranteed in annuity contracts, how to access income from an annuity, how the value of an annuity grows, and how interest is calculated, among other things.

Through the development of uniform templates for fixed, index and variable annuities, the industry has established a standard format for disclosure of terms and features such as guaranteed rates, surrender charges, interest rate calculations, and indexing.

When will the initiative be unveiled, and in which states?
Ohio, after Iowa, is the second state to participate in the Annuity Disclosure Pilot Program, planning to kick-off the initiative on April, 1, 2009. Other state insurance departments have expressed an interest in participating in the initiative as well. The industry is expecting a gradual, national rollout of the initiative and will make further improvements to the templates as needed based on feedback gathered from consumers, insurance departments, and insurers during this time.

Why is the initiative necessary?
Annuities are unique insurance products marketed by insurance companies to consumers to supplement or plan for retirement, but because there are different types with different purposes, they can be a bit confusing. Easy-to-read information can help consumers learn more about how this product can provide them the retirement security they seek.

Information contained in a contract can vary from one insurer's annuity to another, making comparisons difficult. State disclosure laws also differ. Therefore, the lack of a standard disclosure format in annuity contracts served as a driving force for this initiative, which helps establish a uniform approach to annuity disclosure.

Does the initiative complement current efforts to enhance disclosure?
The templates build on the requirements contained in the National Association of Insurance Commissioners' (NAIC) Annuity Disclosure Model Regulation. They demonstrate how the model regulation can be implemented to the benefit of consumers in all states. In effect, the initiative aims to increase consumer satisfaction in annuity purchases and reduce the number of complaints filed with state insurance departments. Clear, concise disclosure should also enhance the ability of state insurance departments to monitor market conduct.

What are companies doing now to comply with state disclosure requirements?
Companies provide disclosure information in a variety of documents including the application, a company-specific disclosure form, the NAIC Buyers Guide, or other point of sale documents. However, the information and the form in which it is distributed can vary from one insurer's annuity to another, making comparisons difficult for consumers. State disclosure laws also differ.