

Allianz settles annuities cases

State Insurance Commissioner Steve Poizner will announce details today in Oakland of a \$10 million settlement involving the sale of improper annuities to California seniors. by Minnesota-based Allianz Life Insurance Company of North America.

Under the terms of the settlement, Allianz will enact more consumer protections to ensure that seniors who buy annuities from them starting in March are buying products that best suit their financial circumstances.

In addition, some 288 seniors who purchased the deferred fixed annuity products that were improperly marketed to them from Jan. 1, 2004, through July 31, 2005, will be able to cancel their policies. The company will contact those eligible seniors.

However, an estimated 10,000 seniors who have purchased Allianz annuities during the above time period may also be eligible to cancel the policies if it is determined they were improperly marketed, according to the department.

Consumers often turn to annuities, which are sold by insurance companies, to help fund their retirement years. Typically, the insurance company that sells the annuity product agrees to make periodic payments to the consumer at a future date.

Among other things, the California investigation revealed that Allianz sold 126 policies to 84-year-old and 85-year-old seniors bymarketing the annuities as products that would provide an immediate bonus payment. The policies were sold to replace existing policies held by the seniors with other insurers.

In actuality, the Allianz bonus payments would not go into effect for at least five years after the annuity was purchased,

according to the department. Some 97 percent of the 126 policies that were sold as replacement policies to the elderly seniors were determined to be financially unsuitable given their advanced years.

Seniors are encouraged to call the state Department of Insurance hotline at 1-800-927-4357 for more information and assistance.

“This landmark settlement ends years of aggressive and misleading marketing schemes targeted to our most elderly and vulnerable,” Poizner said in a statement.

The settlement stems from a department investigation into the sale of Allianz annuities and complaints made by consumers.

Allianz is the largest seller of annuities in California, according to the department.

Last October, the company settled a similar lawsuit with the Minnesota Attorney General’s Office regarding annuities where were sold to more than 7,000 seniors between 2001 and 2007.

The settlement calls for Allianz to implement a program starting in March that will provide seniors with more consumer protection when it comes to purchasing new annuities. Among other things, the program calls for Allianz to place a greater amount of review and analysis when reviewing applications for annuity products sought by people who are 65 years or older.

“Allianz Life and the California Department of Insurance share a common goal — we want to ensure that consumers purchase only products that meet their financial needs and objectives,” said Gary Bhojwani, president and chief executive of Allianz Life, said in a statement.

In addition to the settlement, Poizner plans to issue proposed regulations that will require all insurers to evaluate whether an annuity is a reasonable and prudent investment given the life circumstances of the senior who is buying it. The regulations would also be used to develop standards for selling annuities that would apply to insurance agents.

Amy Bach, executive director of San Francisco-based United Policyholders, praised the settlement.

“We are pleased the Department did a thorough investigation and took action based on what they found. There are seniors who being hustled and confused into buying expensive annuity products and inappropriate products that simply don’t work for them,” Bach said. “It’s not that all annuities are bad,” she said. “It’s just a complicated product and needs to be properly selected for the individual.”

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