

BACH TALK: Annuity “Whack-a-Mole”

It seems like every time you turn around, insurers are peddling a new type of super-complicated annuity whose internal levers and formulae make it virtually impossible that the buyer will collect the promised benefits in their lifetime: [Equity-indexed annuities](#), Medically Underwritten Annuities, [Contingent Deferred Annuities](#)...the list goes on. And it's a darn shame. There can truly be value for a consumer to purchase an annuity as a retirement tool, but the marketplace is out of control and consumers are woefully under-protected.

An annuity is a contract in which an insurance company promises to make a series of income payments at regular intervals in return for a premium or premiums you have paid. Annuities are often bought for future retirement income. But like a “Whack a Mole” game, one annuity scam gets stamped out by a lawsuit or [regulatory fine](#) and another one pops up...[Senior Citizens, in particular, are being scammed](#) left and right, stripped of their savings by unscrupulous “advisers”.

Companies selling annuities are competing by paying excessive commissions to lure agents to push their products – suitable for the buyer or not – the list of very complex annuity products grows ever longer. Regulators are overwhelmed, and about to undertake a multi-state market conduct examination of insurance companies selling annuities throughout the United States. This morning I was one of three speakers on an 8 am panel at a conference on Insurance Regulation in NYC on the topic of Annuities. The lively discussion between me, (the consumer advocate), an attorney who represents insurers that sell annuities, and a regulator from Minnesota opened the audience's sleepy eyes and mine as well.

The problems:

- Annuity sales commissions are very appealing to unethical agents who don't give a fig about whether the product is suitable for a buyer or not. These agents lure consumers to buy annuities that will never generate benefits in their lifetime and that tie up their savings to achieve the exact opposite outcome they sought when they bought the annuity: A stream of money to support them in their twilight years.

- Elderly consumers in particular are being preyed upon.
- Regulators can't keep up with regulating the proliferation of annuities being peddled to consumers by agents and financial advisers.

Must-reads before you buy an annuity:

[The top ten investment scams](#)

[Top 5 retirement issues](#)

[The NAIC's Buyers Guides for Annuities](#)

Stepping UP:

UP supports the enforcement of annuity sale suitability standards in every state, and is educating consumers to be cautious before purchasing one. We recently joined with California Healthcare Advocates in [filing comments before the Minnesota Department of Commerce](#) and advocating for more stringent regulation of Long Term Care insurance products with an attached annuity.

Further Reading: [WOLF AMONG THE LAMBS – THE SALE OF EQUITY INDEXED ANNUITIES TO SENIOR CITIZENS](#) By Robert S. Gianelli Gianelli & Morris, L.C.