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COMMISSIONER OF INSURANCE

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## BULLETIN 09-04

To: Insurance Carriers and Licensed Producers

From: Susan E. Voss, Insurance Commissioner

Re: Life Insurance and Annuity Sales Practices, Replacement Activity and Suitability

Date: March 26, 2009

This bulletin is a reminder to insurance carriers and licensed producers regarding Iowa laws and administrative rules that govern sales practices and replacement activity of life insurance policies and annuity contracts. This bulletin also includes a request for filing of a report by insurers of certain replacement activity.

### **Part I – Advertising Practices**

Because of the economic environment, rumors and stories circulate quickly about the financial condition of the insurance industry and about specific companies.

Iowa Code sections 507B.4(1)(d) and (f), Iowa Code section 507B.4(3) and 191 Iowa Administrative Code subrule 15.3(8) expressly prohibit insurers and insurance producers from making statements that disparage other insurers or are derogatory to the financial condition of any insurer. Such practices are considered unfair or deceptive acts or practices.

Further, Iowa Administrative Code subrule 191-15.8(2) specifically prohibits insurers and producers from employing any method of marketing or tactic which uses undue pressure, force, fright, threat, whether explicit or implied, to solicit the purchase of insurance.

### **Part II – Replacement and Financed Purchases and Request for Reporting**

Insurers and insurance producers should be mindful of Iowa Administrative rules regarding the replacement of an existing policy or contract via issuance of a new policy or via a financed purchase. Insurers are required to maintain a system of supervision and control over their appointed insurance producers to ensure compliance

with the requirements of the replacement rules found at Iowa Administrative Code 191-16. Financed purchases, as defined at IAC 191-16.22 are also considered replacements.

The Division expects insurance carriers to carefully monitor all replacement activity by its producers and ex-producers. Insurers should also monitor disbursements from existing policies and annuities. Insurers shall report to the Division any trend in activity that indicates that 2009 replacements or disbursements are increasing in comparison to 2008 activity.

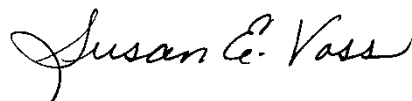
### **Part III – Suitability of Recommendations for Life Insurance and Annuity Products**

A replacement of a life insurance policy or an annuity contract is also a component of determining whether a sale is suitable.

Iowa Administrative code 191-15.8(4) provides guidelines for producers when recommending to any person the purchase, sale or exchange of any life insurance policy, or any rider, endorsement or amendment thereto. Similar provisions exist to guide insurers and insurance producers when recommending the purchase or exchange of an annuity contract as detailed at IAC 191 -15.71, et seq. Whether a life insurance policy or annuity contract is involved, a producer must have reasonable grounds for the recommendation and must consider whether the product recommended is suitable for that purchaser. Insurers and producers are reminded that they should document the grounds for each recommendation.

### **Conclusion**

The Division will review all reports of violations of Iowa Insurance laws and regulations and will conduct market conduct investigations against insurers and insurance producers suspected of misconduct.



Susan E. Voss  
Iowa Insurance Division