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ANNUITIES
a guide for consumers

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Note: Most insurance rates and forms in Florida are regulated by the Office of Insurance Regulation (OIR). Other financial services are regulated by the Office of Financial Regulation (OFR). Although both are administratively housed within the Department of Financial Services (DFS), they are separate entities that report to the Florida Cabinet. Because DFS handles consumer-related matters, consumers should remember that DFS is their point of contact for all problems and questions.

DFS distributes this guide for educational purposes only; it does not constitute an endorsement for any service, company or person offering any product or service.

AN INTRODUCTION TO ANNUITIES

If you are planning to purchase or make changes to your existing annuity contract, reviewing this guide is a great step in empowering yourself with the ability to make the best financial decision for your family's financial planning goals.

An annuity is a long-term investment and should not be used for short-term purposes. Annuities can be funded over a long period with a series of deposits, or all at once with a lump sum.

The cash value in a life insurance policy may be used to purchase an annuity tax free if done properly via a 1035 exchange. You can convert some life insurance policies into annuities by taking the cash value of the insurance policy and buying the annuity contract that best suits your needs.

An annuity also has a tax advantage. Taxes are not imposed until funds are withdrawn.

KINDS OF ANNUITIES

There are several ways to categorize annuities, and any one annuity may fit into several categories.

IMMEDIATE ANNUITIES

With an immediate annuity, you pay a single premium and immediately start receiving payments at the end of each payment period, which is usually monthly or annually.

DEFERRED ANNUITIES

With a deferred annuity, you pay one or more premiums over what is often called the accumulation period. The premiums you pay, and the interest credited to the premiums, go into a fund called an accumulation fund. There may be a minimum guaranteed interest rate at which your money will accumulate during the accumulation period.

The annuity payments you will receive begin at a future point in time called the maturity date. You will receive payments during a time period called the payout period or annuitization phase. You do not pay income taxes on the interest earned during the accumulation period unless you draw on its cash value. These taxes are deferred until the payout period.

FIXED ANNUITIES

A fixed annuity provides fixed-dollar income payments backed by the guarantees in the contract. You cannot lose your investment once your income payments begin. The amount of those payments will not change. With fixed annuities, the company bears the investment risk.

During the accumulation period of a fixed deferred annuity, premiums (less any applicable charges) earn interest at rates set by the company or in a way spelled out in the annuity contract. The company guarantees that it will pay no less than a minimum rate of interest. During the payout phase, the amount of each income payment you receive is generally set when the payments start and does not change.

SINGLE PREMIUM OR INSTALLMENT PREMIUM

You pay the insurance company only one premium for a single premium annuity. You pay for an installment premium annuity through a series of payments. There are two kinds of installment premium annuities. One kind is a flexible premium contract. You can pay as much as you want, whenever you want, within set limits. The other kind is a scheduled premium contract, which specifies how much your premiums will be and how often you will pay them.

EQUITY-INDEXED ANNUITIES

These are a type of annuity, either immediate or deferred, that earns interest or provides benefits that are linked to an external equity index, such as Standard and Poor's 500 (S&P 500) Composite Stock Index. When you purchase an equity-indexed annuity, you own an insurance contract—not shares of any stock or index.

An equity-indexed annuity is different from other fixed annuities because of the way it credits interest to your annuity's value. Some fixed annuities only credit interest calculated at a rate set in the contract, while others credit rates set periodically by the insurance company. Equity-indexed annuities credit interest using a formula based on changes in the index to which the annuity is linked. The formula decides how the additional interest, if any, is calculated and credited. How much additional interest you get and when you get it depends on the features of your particular annuity.

Your equity-indexed annuity, like other fixed annuities, promises to pay a minimum interest rate. The rate applied will not be less than this guaranteed minimum, even if the index-linked interest rate is lower. Additionally, the value of your annuity will not drop below a guaranteed minimum. For example, many single premium annuity contracts guarantee the minimum value will never be less than 90 percent of the premium paid, plus at least 3% in annual interest (less any partial withdrawals). The guaranteed value is the minimum amount available during a term for withdrawals, as well as for some annuitizations and death benefits. The insurance company will adjust the value of the annuity at the end of each term to reflect any index increases.

EQUITY-INDEXED ANNUITY FAQ'S

Can I take my money out during the term?

In most cases, you can take all or part of the money out of an equity-indexed deferred annuity any time during the term, but there may be a cost. Sometimes the cost is a stated dollar amount. In other cases, you give up index-linked interest on the amount withdrawn. Some annuities do not let you make a partial withdrawal until the end of a term.

What will it cost me to take my money out early?

If you withdraw all or part of the value in your equity-indexed annuity before the end of the term, a withdrawal or surrender charge may be applied. A withdrawal charge is usually a percentage of the amount being withdrawn. The percentage may be reduced or eliminated after the annuity has been in force for a certain number of years. Sometimes the charge is a reduction in the interest rate credited to the annuity.

Some equity-indexed annuities credit none of the index-linked interest or only part of it, if you take out all your money before the end of the term. The percentage that is vested, or credited, generally increases as the term comes closer to its end and is always 100 percent at the end of the term.

Is there always a charge to take my money out early?

Your equity-indexed annuity may have a limited "free withdrawal" provision. This lets you make one or more withdrawals without charge each year. The size of the free withdrawal is limited to a set percentage of your annuity's guaranteed or accumulated value. If you make a larger withdrawal, you may pay withdrawal charges. You may also lose index-linked interest on amounts you withdraw.

Most equity-indexed annuities waive withdrawal charges if they are made within a set number of days at the end of each term. Some equity-indexed annuities waive withdrawal charges if you are confined to a nursing home or diagnosed with a terminal illness. However, you may lose index-linked interest on withdrawals.

Are dividends included in the index?

Depending on the index used, stock dividends may or may not be included in the index's value. For example, the S&P 500 is a stock price index and only considers the prices of stocks. It does not recognize any dividends paid on those stocks.

OTHER EQUITY-INDEXED ANNUITY CONTRACT BENEFITS INCLUDE:

Annuity Income Payments

One of the most important benefits of equity-indexed deferred annuities is the right to use the value built up during the accumulation period to provide income payments during the payout period. While income payments are usually made monthly, you can often choose more or less frequent payments. The size of income payments is based on both the accumulated value in your annuity and the annuity's "benefit rate" that is in effect when income payments begin.

The insurance company uses the benefits rate to compute the amount of income payment it will pay you for each $1,000 of accumulated value in your annuity. The benefit rate usually depends on your age and sex, and the form of annuity payment you have chosen. You can usually choose from many forms of annuity payments. You might choose payments that continue as long as you live, or as long as either you or your spouse live, or payments that continue for a set number of years.

Death Benefit

Equity-indexed annuities provide a variety of death benefits. The most common death benefit is either the guaranteed minimum value or the value determined by the index-linked formula. Some annuities offer a guaranteed death benefit which may be higher than the current annuity value.

Tax Deferral

Federal income tax on interest accumulated in an equity-indexed annuity is deferred until you take the interest out of the annuity. Then, you may be required to pay taxes on the tax-deferred accumulation. You may have to pay a tax penalty if you withdraw the accumulation before you are age 59½. The advantage of tax deferral is that you will probably be in a lower tax bracket in retirement than while you are employed. Also, during the accumulation period, you will be earning interest on money that you would otherwise have used to pay taxes. Tax-qualified annuities are subject to different rules. In any case, you should consult your own tax advisor.

How do I know if an equity-indexed annuity is right for me?

The questions listed below may help you decide which type of equity-indexed annuity, if any, meets your retirement planning and financial needs. You should consider what your goals are for the money if you choose an equity-indexed annuity. You need to think about how much risk you're willing to take with the money. Ask yourself:

- *How long can I leave my money in the equity-indexed annuity?*
- *What do I expect to use the money for in the future?*
- *Am I interested in an equity-indexed variable annuity with the potential for higher earnings that are not guaranteed and am I willing to risk losing the principal?*
- *Is a guaranteed interest rate more important to me, with little or no risk of losing the principal?*
- *Or, am I somewhere in between these two extremes and willing to take some risks?*

VARIABLE ANNUITIES

Variable annuity investments are securities and fluctuate with economic conditions. The value of a variable annuity depends upon the value of the underlying investment portfolios associated with the annuity. You, the owner or annuitant, bear the investment risk for the value of the security. The value of the annuity will increase or decrease with the investment performance of the security. The annuity's value will decrease, however, with a poor investment performance. In fact, you can lose your investment!

A product receives the classification of a variable annuity if the value during either the accumulation period or the payout period depends on the value of the security.

Some variable annuities provide a choice of either a variable payout or a fixed payout.

The Florida Department of Financial Services and the U.S. Securities and Exchange Commission regulate the issuers of variable annuities. Licensed life insurance agents who sell variable annuities must also be registered with the Florida Office of Financial Regulation and a self-regulatory organization, such as the New York Stock Exchange (NYSE) or National Association of Securities Dealers (NASO).

During the accumulation period of a variable annuity, premiums (less any applicable charges) are put into a separate account held by the insurance company. You decide how those premiums will be invested, by choosing from stock or bond mutual fund choices. The value of the separate account, and therefore, the value of your variable annuity, varies with the investment experience of the funds you choose. There is no guarantee that you will receive your premiums back. There is also no guarantee that you will earn any return on your annuity. During the payout period of a variable annuity, the amount of each income payment you receive may be fixed (predetermined) or variable (changing with the value of the investments in the separate account).

With a tax-sheltered fixed or variable annuity, you defer income taxes on the interest earned until the payout period. You may also defer taxes on the income used to make premium payments until the funds are withdrawn. There may be a limit on the amount of income you can defer, depending on the tax-sheltered plan selected. These contracts, also known as "qualified" or "tax qualified," must meet the conditions outlined by the Internal Revenue Service. A nonqualified annuity is a product with premiums paid from after-tax dollars. For more information, call the **Florida Department of Financial Services Insurance Consumer Helpline toll-free at 1-877-MY-FL-CFO (1-877-693-5236).**

COMMON ANNUITY PRODUCT PROVISIONS

You should carefully compare the following features based on the type of annuity you are considering.

ACCUMULATION PERIOD: Time between the purchase of the annuity contract and the payout period when annuity premiums are paid—be sure that the contract will allow the annuity payouts to begin when you need them.

ADMINISTRATIVE/MAINTENANCE FEES: Deductions taken from premiums or the accumulation fund.

AGENT COMMISSIONS: The commission earned by your agent is usually a percentage of the annuity premium and varies by company.

ANNUITIZATION PHASE: Period of time when you receive payments, defined by the annuity contract.

BAILOUT PROVISION: Provision offered by some companies that allows you to withdraw all your money without penalty if the interest rate drops below a specified rate.

CONTRACTUALLY GUARANTEED BONUSES: Bonus interest credit offered by some annuities. Make sure you understand the conditions necessary to earn the credits.

EXPENSE CHARGES, FEES, AND LOADING: Administrative fees the company deducts from your premiums or the accumulation fund.

FREE WITHDRAWAL PROVISIONS: Allowance provided by deferred annuity contracts to withdraw a percentage of your funds on an annual basis without a surrender penalty. Even though the contract may allow the withdrawal without a penalty, the IRS may impose a penalty for those younger than 59½.

GUARANTEED MINIMUM INTEREST RATE: Lowest interest rate a company may credit to a fixed annuity accumulation fund, as stated in the contract.

INITIAL CREDITED INTEREST RATE: Interest rate the insurance company credits to your premium when first issuing the policy—the company may guarantee this rate for an initial guarantee period of one or more years. Otherwise, the rate is not guaranteed, which means it may change at the company's discretion.

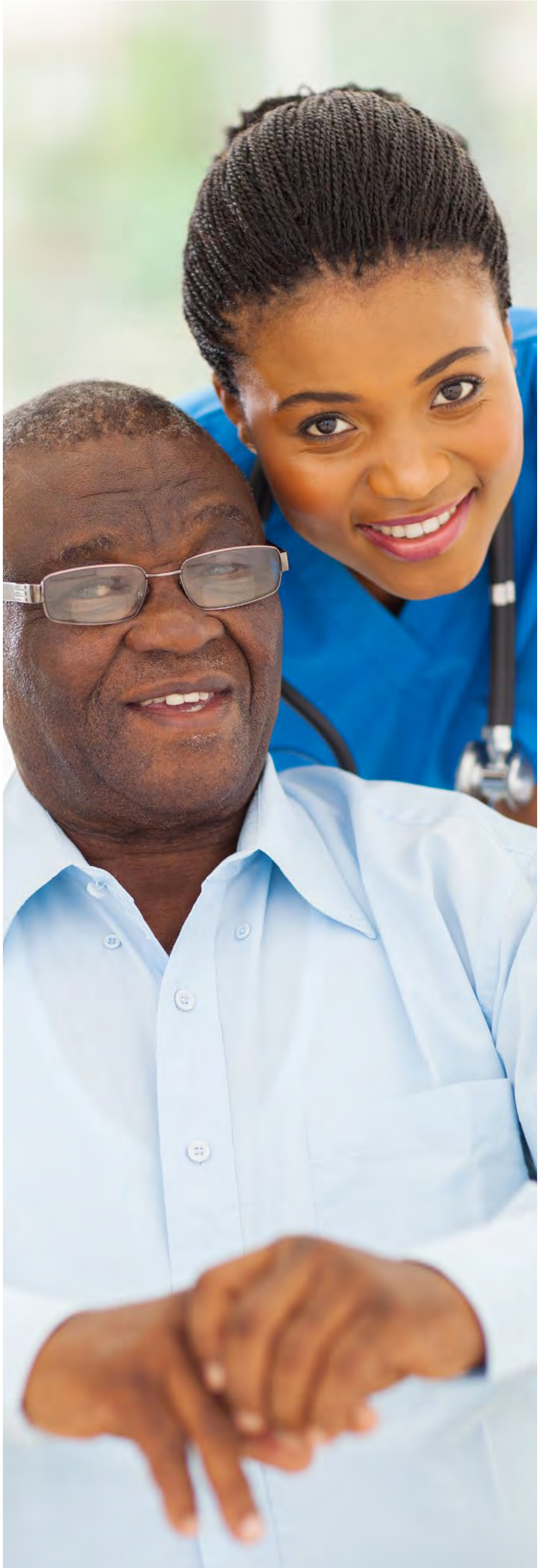
INTEREST RATE CREDITED ON RENEWAL: Interest rate credited on the premium dollars paid into a policy after the first year-companies may advertise a high initial interest rate, but after the first anniversary credit a much lower interest rate. Ask your agent how the renewal interest rate compares with the initial interest rate.

ISSUE AGE RANGE: Age range during which the company will issue a policy to a consumer.

MARKET VALUE ADJUSTMENT (MVA): A feature of some annuity contracts in which the value could be affected by changing interest rates on other investments.

MINIMUM PREMIUM REQUIRED: Minimum premium level required by some annuities for initial and subsequent premiums.

MONTHLY INCOME PER $1,000: Rates for annuity payout plans in terms of a monthly income per $1,000 applied—the company multiplies the value of the accumulation fund by this rate to determine the monthly payments that you will receive during the annuitization phase or payout period.



SURRENDER CHARGE SCHEDULE: Penalty imposed by most annuity contracts for withdrawals or surrenders made during the early years of the policy—the amount of these charges varies widely among insurance companies and may change over the life of the contract. Penalties can be as high as 25 percent or as low as 1 percent. Also, these penalties may be assessed any time during what is known as the "surrender period," which can be applicable for as long as 20 years. However, there are certain restrictions for seniors aged 65 and above.

TRANSFER PRIVILEGES: Generally, the issuer of the variable annuity will permit a limited number of money transfers among the underlying investment portfolios free of charge.

TAX-QUALIFIED ANNUITY: Contract that allows you to defer income taxes on the interest earned in an annuity-it also allows you to deduct your premium payments from your taxable income when filing your tax return with the IRS.

WAIVER OF SURRENDER CHARGES IF CONFINED TO A NURSING HOME: Rider or policy provision allowing you to withdraw your money without penalty if you become disabled and confined to a hospital, nursing home or extended care facility for a specified period-policies usually require that you purchase them before you reach a certain age to be able to use this option. Ask your agent and check your contract for restrictions.

NOTE: Many companies will allow you to change the date that your annuity payments begin. For more information please ask your agent or refer to your contract.

BENEFIT PAYMENT PLANS

By annuitizing your contract, you can turn your annuity into a guaranteed stream of income. Payments for annuities come in four basic plans: life income, fixed period, fixed amount, and joint and last survivor. These appear in deferred annuities, as well as some life insurance contracts, usually as options for payments of the death benefit proceeds.

LIFE INCOME

This payout plan includes three basic variations.

Life Only:

- Payments are made only until your death.
- Pays the most income for each dollar of premium paid into the fund.
- Payments stop when the annuitant dies. If you die before payment of all the funds, the company keeps the remainder.

Certain and Life:

- Payments are made during a predetermined time frame, called the period certain.
- If you die before this period expires, your beneficiary receives payments until the end of the period.
- If you live beyond this time frame, payments will continue until your death.

Installment Refund:

- You, the annuitant, would receive a lesser payment amount than you'd receive with the "life only" variation.
- The beneficiary receives the balance of the unpaid account value, if any, upon your death.

FIXED PERIOD

With this plan, the company guarantees payments for the number of years allowed by your contract and selected by you. This number is called the years certain and is frequently 10 or 20 years. If you die before the specified number of years, the company pays the remainder of the contract to your beneficiary or estate.

FIXED AMOUNT

With this plan, you receive payments in the amount you choose until the funds are exhausted. If you die before the payment of all funds, the company pays the remaining proceeds to your beneficiary or estate in a lump sum.

JOINT AND LAST SURVIVOR

This plan makes payments as long as the two people named in the policy are alive. When one dies, the amount of the payments may diminish according to the terms of the contract.

GROUP VERSUS INDIVIDUAL ANNUITIES

Insurance companies are marketing an increasing number of annuities on a group basis. Group annuities typically benefit from economies of scale, which means the insurer passes on cost savings for marketing and administering the product to the consumer.

Group annuities fund many tax-sheltered retirement programs. These programs, whether sponsored by employers, unions, or other groups, often draw a multistate membership. Differences in state laws, however, sometimes create difficulties for groups providing benefits for members from different states under a single contract.

Many states, including Florida, enacted laws to eliminate conflicts that might prevent a group from providing benefits to its members. These laws allow out-of-state contracts in which groups may issue contracts in one state and send coverage certificates to members in other states.

The terms of such annuities are subject to the laws of the jurisdiction where the master contract is issued, not Florida law. The annuities are then marketed to individuals in Florida. To be permitted to issue individual annuity certificates through such a group, the insurer is required by law to provide proof to the Florida Department of Financial Services that some savings can be expected. But the amount saved may or may not offset the loss of the protections of Florida law. Be very careful when you are offered an annuity as part of an out-of-state group.

Consumers with questions about group annuities should contact their insurance agent or company or call the **Florida Department of Financial Services Insurance Consumer Helpline tollfree at 1-877-MY-FL-CFO (1-877-693-5236)**.

OTHER TYPES OF ANNUITIES

MARKET VALUE ADJUSTMENT ANNUITIES

These annuities contain a provision that changes the amount of money you can withdraw from the policy by a formula in the contract. This formula reflects changes in the investment environment.

NO CASH VALUE ANNUITIES

These annuities do not provide any cash surrender values until the maturity date. You should not consider this type of annuity unless you feel certain you will not need your money in a lump sum but as monthly income beginning at the maturity date.

WHAT TO CONSIDER BEFORE BUYING AN ANNUITY

Annuity products primarily offer a source of income, either now or at a set future date. In addition, some annuities offer interest rate guarantees. If this is not what you are seeking, then you should consider other types of investments. An annuity involves a long-term commitment. Other more appropriate investments exist for those seeking short-term opportunities (i.e., less than a decade). You might wish to consult with a trusted advisor who has no vested interest in your investment choice.

Many annuity marketing programs encourage you to move funds from maturing certificates of deposit into annuities. These are not comparable investment instruments because they have different purposes and time frames. Be sure you invest your money in a way that best suits your needs.

To check on the license and complaint history of an investment professional you are considering working with, call the **Florida Department of Financial Services Insurance Consumer Helpline tollfree at 1-877-MY-FL-CFO (1-877-693-5236).**

There is a wide range of annuity products currently available. One agent will not have access to all possible contracts, so you should speak with several agents. You should always shop around before investing your money.

Florida law requires insurance companies and agents offering annuity products to clearly document the basis for selling the product, including consideration of a purchaser's financial and tax status, as well as investment objectives. You should consider all of the consequences if you currently have funds in an annuity and the opportunity arises to move the funds into a new annuity with a new surrender charge schedule. Also, the guaranteed minimum interest rate in the new contract may be lower. Be sure you consider both the advantages and disadvantages of the replacement. Additionally, ask the agent to put in writing and sign their name to any claims made as to interest rates, bonuses or other benefits of the product they are recommending.

You should review the complete plan, considering such factors as the guaranteed interest rate, the surrender charges, and the administrative and maintenance fees. A high interest rate during the first year is not always the better choice. This is especially true if the interest rates drop to a low minimum rate the next year with high surrender charges and additional fees. Ask your agent for the company's history on crediting its interest rates. Also, check to see how credited interest rates vary between new issues and renewal years. Ask for the required disclosure material used with the plan that interests you.

The advertising material should reflect the actual payouts of the contract. Most companies will offer computer generated sales illustrations that provide a customized projection for the contract under consideration. Be sure that you receive all pages of the illustration and that you read and understand all the features.

Also, be sure you understand which values the contract guarantees and which values are not guaranteed but are merely projections or estimates. Ask the agent or broker about the type of investments offered by the company and whether these are secure. The company may also address this in its advertisements.

It would be beneficial to seek the advice of an impartial third party such as a tax attorney, CPA or other financial professional before purchasing an annuity.

You should never sign blank insurance forms or other documents and ensure you receive copies of anything you sign.

OTHER USEFUL INFORMATION

Suitability

Only buy an annuity if it is suitable for your circumstances. Consider your purpose in purchasing an annuity and whether an annuity is the best vehicle for achieving your financial goals. Make sure you are buying an annuity that fits your goals and circumstances.

You should consider:

- The extent to which purchasing an annuity will tie up your money and whether you will need to pay surrender charges to access sufficient funds to pay for living expenses, including emergencies;
- Your age; income; liquidity needs; financial time horizon; intended use of the annuity;
- The extent to which the annuity allows you access to your money in the future without your having to pay surrender charges or other penalties;
- The values, benefits, and costs of your existing investments as compared to those of the recommended annuity contract.

The law requires insurance agents to ask you questions about your financial situation to make sure the annuity you are purchasing is suitable for your needs and circumstances. Insurance companies and insurance agents are prohibited from selling you an annuity unless there is a reasonable basis to believe the annuity is suitable based on the information you provide to the agent.

UNDERSTAND THE PRODUCT YOU ARE BUYING

- Always review the contract before you decide to buy an annuity. Terms and conditions of each annuity contract will vary.
- You should understand the long-term nature of your purchase. Be sure you plan to keep an annuity long enough, so the charges don't take too much of the money you invest.
- Compare information for similar contracts from several companies. Comparing products may help you make a better decision.
- Ask your agent and/or the company for an explanation of anything you don't understand. Do this before any free look period ends. The free look period gives you a set number of days to review the policy after you buy it. If you are not satisfied for any reason, you may return the contract and get your money back.
- For explanations about things you do not understand, ask for it in writing. This way, you can study the response to ensure you understand the choice you're making.
- Verify that the company and agent are licensed. In order to sell insurance in your state, companies and agents must be licensed.

To verify whether an agent is licensed, call the Florida Department of Financial Services Insurance Consumer Helpline toll-free at 1-877-MY-FL-CFO (1-877-693-5236). You can also go to MyFloridaCFO.com and click on the "Verify Agent's License" button to search for licensing information.

QUESTIONS YOU SHOULD ASK YOUR AGENT OR THE COMPANY

- *What is the guaranteed minimum interest rate?*
- *What charges, if any, are deducted from my premium?*
- *What charges, if any, are deducted from my contract value?*
- *How long is the term?*
- *What is the participation rate?*
- *For how long is the participation rate guaranteed?*
- *Is there a minimum participation rate?*
- *Does my contract have a cap?*
- *Is averaging used? How does it work?*
- *Is interest compounded during a term?*
- *Is there a margin, spread, or administrative fee? Is that in addition to, or instead of a participation rate?*
- *Which indexing method is used in my contract?*
- *What are the surrender charges or penalties if I want to end my contract early and take out all of my money?*
- *Can I get a partial withdrawal without paying charges or losing interest? Does my contract have vesting?*
- *Does my annuity waive withdrawal charges if I am confined to a nursing home or diagnosed with a terminal illness?*
- *What annuity income payment options do I have?*
- *What is the death benefit?*

FINAL POINTS TO CONSIDER

It is very important that you choose an annuity that you understand well. The purpose of this Buyer's Guide is to help you generally understand an annuity. Your agent or insurance company can provide personal guidance. Remember that the quality of service you can expect from the company and the agent should also be important to you when you buy an annuity.

YOUR ANNUITY RIGHTS AND RESPONSIBILITIES

You have the right to receive a policy summary that includes a "Cost Index" and a "Buyer's Guide to Life Insurance" from a company or agent. Both publications fully explain the use of cost and payment indexes. This does not apply to variable life insurance policies.

You have the right to receive either a policy summary or a "free look" period at least 21 days to decide whether to keep a policy or contract. You may still receive a full refund if you have paid a premium and decide to return the policy during this period. You should return the policy to the company by certified mail (return receipt requested) within the specified period.

You have the right to receive a prospectus when considering an annuity contract. Upon request, an agent or company must provide you with a prospectus that contains extensive information about the investments backing the annuity contract you are considering.

You are responsible for evaluating your needs and making sure the insurance company and policy contract you choose can fit those needs. You are responsible for shopping around and comparing costs and services.

You are responsible for reviewing and understanding the surrender charges that may be imposed if the policy is surrendered.

You are responsible for finding out the licensure status of an insurance or securities agent and company. To verify a license, call the Insurance Consumer Helpline toll-free at 1-877-MY-FL-CFO (1-877-693-5236).

You are responsible for reading your policy or contract and making sure you understand what it covers.

You are responsible for keeping your annuity policies and records at home. Keep copies in a safe deposit box or with a friend or attorney.

You are responsible for telling your beneficiaries about the contracts you own and where the policies are located.

YOUR INSURERS AND FINANCIAL INSTITUTIONS

Under federal law, some banks and insurance companies may have the right to share sensitive and personal information about you with other entities and business interests without your permission. As the policyholder, you must take the lead in protecting your personal information.

Many companies will send you a privacy notice that will give you the opportunity to tell them that you want your personal information kept confidential. Unless you complete and return these forms, your personal financial and medical information may be shared with other companies. You may have to complete these forms on an annual basis.

When you receive a privacy notice form, read it carefully before signing it to avoid unintentionally giving the company permission to share information about you. If you have questions or concerns about these forms, call the **Florida Department of Financial Services Insurance Consumer Helpline toll-free at 1-877-MY-FL-CFO (1-877-693-5236)**.

INSURANCE FRAUD COSTS US ALL!

In 2019, the Coalition Against Insurance Fraud estimated that at least $80 billion in fraudulent claims are made annually in the United States. This includes all lines of insurance. It's also a conservative figure because much insurance fraud goes undetected and unreported. Insurance companies generally pass the costs of bogus claims – and fighting fraud – onto its policyholders. This includes the money you pay for life, auto, health, homeowners and other types of insurance. You can protect your personal and family pocketbook by learning about the many different types of fraud schemes and scams. Some common examples include:

Failure to forward premiums - An insurance agent convinces a consumer to pay each premium by a check written directly to the agent or in cash. The agent then pockets these payments, leaving the consumer without coverage.

Rogue agent commits churning - An agent tricks an unknowing consumer into draining the cash value of one policy to buy a new policy with the same insurer.

Applicant fraud - An applicant deliberately provides false information to a life insurance company in hopes of obtaining a lower premium or to prevent the applicant's rejection.

Understatement of risk or "clean sheeting" - An agent omits pertinent health information from a consumer's application to make a sale that might not otherwise meet the insurance company's risk-management requirements.

Deceptive claims - A financially strapped consumer files false claims on credit disability and health insurance policies after staging an accident and exaggerating a pre-existing injury.

If you suspect insurance fraud, call the **Florida Department of Financial Services' toll-free Fraud Hotline at 1-800-378-0445.**

FREQUENTLY USED TERMS

ACCUMULATION PHASE
The phase in which you pay into your annuity.

ANNUITIZATION PHASE
The phase in which you receive monthly payment from your annuity.

AMENDMENT
An attachment that modifies certain policy benefits. (See Endorsement)

ANNUITANT
The person who receives the annuity payments during his or her lifetime.

AUTOMATIC PREMIUM LOAN
An optional provision that allows for the automatic payment of unpaid premiums by a policy loan. You may only obtain such a loan if your life insurance policy has sufficient cash value. This feature acts as a safeguard if you forget or cannot make a particular premium payment.

BASIS POINTS
The fees in your annuity; reflects a percentage of your investment.

BENEFICIARY
The person or entity who receives the insurance money when the insured dies.

BENEFIT
The payment made by the insurance company in accordance with your policy.

COST INDEX
A system for comparing the costs of similar life insurance plans. A policy with a smaller index number is usually a better buy than a comparable policy with a larger index number.

DEATH BENEFIT
The amount of money your beneficiary receives if you die before you begin the annuitization phase; generally, the value of your annuity or the amount you have invested, whichever sum is greater.

DIVIDEND
Money paid annually to a policyholder as a partial return on the paid premium. Many times, you may use the dividends to increase cash values and death benefits.

ENDORSEMENT
An addition to a policy that modifies its benefits.

EXCESS INTEREST
Interest credited beyond the contractual guarantee. Please note that this can change at the company's discretion.

FREE LOOK
A 21-day free-look period that allows you to decide whether to keep an annuity. You can receive a full refund if you change your mind during this period. Be sure to return the policy by certified mail (return receipt requested) within the free look period to obtain the refund.

ILLUSTRATION
A document used in annuity sales presentations showing year-by-year numbers indicating how a policy will work. Usually, it assumes that amounts being paid today will continue in all future years.

INSURED
The person whose life is covered by a life insurance policy; the policyowner; the policyholder.

LOAN VALUE
The amount which can be borrowed by the policyowner from the company using the value of the policy as collateral. Usually, the interest rate payable on the loan varies based on an index defined in the policy.

LOADING
Administrative fees you pay when buying an annuity.

MODE OF PREMIUM PAYMENT
The frequency of premium payments during the policy year. Premium payments can usually be made on an annual, semi-annual, quarterly, or monthly mode.

NON-QUALIFIED ANNUITY
An annuity that is funded with after-tax dollars.

OWNERSHIP
All rights, benefits, and privileges under a policy controlled by the owner, who is usually the insured. Ownership may be transferred or assigned to someone else by written request of the current owner.

FREQUENTLY USED TERMS

PARTICIPATION RATE
A participation rate determines how much of the gain in the index will be credited to the annuity.

POLICY
The printed document issued to the policyowner by the company stating the terms of the insurance contract.

POLICY LOAN
The amount that you can borrow against a life insurance policy's cash value.

POLICY YEAR
A one-year period starting on the day and the month the policy was issued. The first policy year starts on the date of issue and ends on the day before the policy's first anniversary date.

PREMIUM
The amount of money, usually in installments, a policyholder pays for an insurance policy or annuity. Payment plans vary depending on the type of policy or annuity.

PROSPECTUS
A statement about a security (such as most variable insurance plans) disclosing extensive information about a company's investments and investment strategies.

QUALIFIED ANNUITY
Annuity that is funded with pre-tax dollars.

RIDER
An attachment to an insurance policy that adds benefits to the original contract for an additional cost.

SETTLEMENT OPTION
The manner in which the insured or beneficiary may choose to have the policy proceeds paid.

SURRENDER
To cash in your policy and receive all funds. A surrender charge will be applied if you surrender your annuity within the surrender period. The surrender period on some annuities can be up to 15 years.

SURRENDER CHARGE
A charge you pay to withdraw your funds early. Your annuity will be subject to surrender charges for a number of years until you get past the surrender charge period. Some annuities allow you to withdraw up to 10% annually during the surrender period without applying any surrender charges.

SURRENDER PERIOD
The length of time penalties are imposed on early withdrawals. Some annuities have longer surrender periods than others. Make sure you understand your contact.

TAX DEFERRAL
The money that accumulates in your annuity grows tax-deferred, meaning you do not pay taxes on it until you begin receiving annuity payments.

TERM CERTAIN ANNUITY
An annuity that provides you with income payments for a specific period of time, such as 10 or 20 years, rather than a lifetime.

VESTING
Some annuities credit none of the index-linked interest or only part of it, if you take out all your money before the end of the term. The percentage that is vested, or credited, generally increases as the term comes closer to its end and is always 100% at the end of the term.

WAIVER OF SURRENDER CHARGES
A policy provision allowing the annuitant or owner of an annuity to surrender the contract with no penalty or surrender charges if he or she becomes terminally ill, disabled and/ or confined to a hospital, nursing home or extended care facility for a specified period.

ANNUITIES PURCHASE CHECKLIST

What is the name of agent/agency:___________________________________

License number of the agent/agency: ________________________________

Name of company: ____

Company's NAIC code or Florida company code: ______________________

What is the maturation date?____

What is your free look period? _______________________________________
(Florida law requires a 21-day period)

What are the administrative/maintenance fees?_______________________

What is the surrender fee? ____

What is the minimum premium? _______________________________________

What is the annuitization phase? _____________________________________

What are the contractually guaranteed bonuses? _____________________

What are the bailout provisions?______________________________________

What are the free withdrawal provisions? ____________________________

What is the interest rate credited on renewal?_________________________

What is the market value adjustment? ________________________________

What is the surrender charge schedule? _______________________________

What are the transfer privileges?______________________________________

Note: Get any guarantees by the agent in writing (i.e. interest rates, bonuses or other benefits). Never sign a blank form and demand a copy of all paperwork.

To check on the license and complaint history of an investment professional you are considering working with, call the Florida Department of Financial Services Insurance Consumer Helpline toll-free at 1-877-MY-FL-CFO (1-877-693-5236).

COMMONLY ASKED QUESTIONS

An agent advised I need to make a decision on whether to purchase the annuity right away since the special rates will expire soon. Should I hurry?

There are normally no time-limited special offers with annuities. Interest rates do change with market conditions but should not justify a rushed decision or high-pressure sales tactics.

My current investments provide monthly income. An agent advised me to sell my investments and purchase a deferred annuity. Is that advisable?

If you are receiving monthly income now, a deferred annuity may not be in your best interests, as this type of annuity matures at a later date. An immediate annuity pays benefits immediately. Be sure you understand the provisions of the annuity product presented to you.

If I purchase a deferred annuity and then need funds to pay for a medical emergency, can I withdraw money without a penalty?

Some annuities waive surrender charges if you become disabled and confined to a hospital, nursing home or extended care facility for a specified period. Ask your agent or check your contract for any restrictions.

Must I pay a surrender charge if I sell my annuity or exchange to another one?

A surrender charge and penalty for early withdrawals often apply during the early years of the policy. Read your contract carefully.

NOTES:

CHIEF FINANCIAL OFFICER

Jimmy Patronis

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

MyFloridaCFO.com

April 2023