

# California Department of Insurance

## *Four-Hour Annuity Training Outline*

### Topics to be included in the Annuity Sales Practices for California Insurance Agents' Training Courses

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#### **Background**

Section 1749.8 of the California Insurance Code took effect on January 1, 2005. This law states that life agents who sell annuity products must first complete eight (8) hours of annuity training that is approved by the California Department of Insurance (CDI) followed by four (4) hours of CDI approved annuity training every license renewal period thereafter.

After an agent completes the initial eight hours of training, the agent must complete a four-hour annuity training course beginning with their subsequent license term. For instance, if a life agent completes the eight-hour training in December 2008 and the life agent's renewal is in February 2009, that life agent will be required to complete the four-hour training requirement on or before his or her February 2011 renewal. This training should be consistent with the initial 8-hour annuity training (i.e. Section IX of the Eight-Hour Annuity Training Outline which is available on CDI's Web site at [www.insurance.ca.gov](http://www.insurance.ca.gov)).

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#### **Curriculum Objective – Training Goals**

At the conclusion of this four-hour course, the student shall:

- Be able to identify the information required to be included in advertising annuity products for persons 65 years or older
- Be able to identify the types of statements that may not be used in advertising annuity products for persons 65 years and older
- Be able to identify inappropriate annuity advertisements for persons 65 years and older
- Be able to define and identify prohibited sales practices for annuities
- Understand the prohibited sales practice of Pretext Interviews, “unnecessary replacement”, and the requirements for in-home solicitations of annuity products
- Be aware of the causes for license suspension and penalties in annuity product sales
- Understand the ethical responsibilities of the agent and insurance company when selling annuities

***These courses should not be used as an opportunity to persuade, indoctrinate or enlighten agents on a particular philosophy, a political or a public policy position. Opinions about state or federal legislation or forecasting the success or failure of legislation should not be included in these courses. Moreover, absolutely no marketing information is allowed in annuity courses.***

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Disclaimer - The California Department of Insurance is released of responsibility for approved course materials that may have a copyright infringement. In addition, no course approved for either prelicensing or continuing education hours or any designation resulting from completion of such courses should be construed to be endorsed by the Commissioner.

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<sup>1</sup> Based on a 50-minute credit hour standard.

<sup>2</sup> Based on a standard text of approximately 1-credit hour per 10 pages of text with 44 lines per page and 12 or more words per line depending on the degree of difficulty of the material.

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- I. The rights and obligations of the insurance producer at contract inception 10%**
  - A. Disclosure (Section 789.8 of the CIC)
  - B. Illustrations (Section 1725.5, 1726, 10127.11 of the CIC)
  - C. Replacement (Section 10509.4, 10509.8 of the CIC)
  - D. Free Look Period (Section 786, 10127.10 of the CIC)
  - E. Importance of reviewing sample contracts
  
- II. Appropriate advertising (Section 1725.5 and 1726 of the CIC) 30%**
  - A. General advertising (Section 1725.5 and 1726 of the CIC)
    - 1. Definition of advertisement: envelopes, stationary, business cards
      - a. Required information to be displayed
      - b. Use of the word “insurance”
      - c. License number
    - 2. Seminars, classes, informational meetings
      - a. Required information to be displayed
      - b. Use of the word “insurance”
      - c. License number
    - 3. Direct mailers
    - 4. Advertisements, coverages, and advertisers may not in anyway imply a product is endorsed by or related to any government agencies (Section 787 of the CIC)
    - 5. Any person or entity that is exempt from licensure is a direct response provider (Section 1725.5[h], 1749.8[d] of the CIC)
    - 6. Fines and penalty
    - 7. Internet advertising (Section 1726 of the CIC)
  - B. Specific advertising to seniors (Section 787 of the CIC)
  
- III. Prohibited sales practices 30%**
  - A. Selling annuities for Medi-Cal eligibility (Section 789.9 of the CIC)
    - 1. Selling annuity to persons 65 years and older for purpose of qualifying for Medi-Cal is prohibited if:
      - a. If assets are equal to or less than community spouse resource allowance
      - b. Senior otherwise qualifies

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- c. After purchase senior or spouse does not qualify for Medi-Cal
- B. In-Home Solicitations: 24-hour Notice requirement for persons 65 years and older (Section 789.10 of the CIC)
  - 1. Criteria
    - a. For persons 65 years and older
  - 2. Content of written notice
  - 3. Can not misrepresent true content of meeting
- C. Sharing commissions with attorney (Section 1724 of the CIC)
- D. Unnecessary replacement (Section 10509.8 of the CIC)
  - 1. Define "unnecessary replacement"
    - a. Pay a surrender charge
    - b. Define substantial financial benefit
  - 2. Examples of unnecessary replacement
- E. Bait and switch
  - 1. Pre-text interview-definition and examples
  - 2. Long term care sales
  - 3. Unauthorized practice of law-drafting, delivering, interpreting legal documents (Section 6125 of the Business and Professions Code)
- F. Cause for suspension (Section 1668.1 of the CIC)
  - 1. Loans
  - 2. Agent beneficiaries, trustee, and power of attorney
  - 3. Benefits payable to family or friends of agent
    - a. Exceptions
- G. Penalties (Section 782, 786, 789.3, 1738.5, 10509.9 of the CIC)
- H. SB 483, Kuehl. Medi-Cal: home and facility care
  - 1. Home equity limits (Section 14006.15[c] of the Welfare and Institutions Code)
  - 2. Establishment of hardship exception (Section 14015.1, 10415.2 of the Welfare and Institutions Code)
  - 3. Look-back period (Section 14015[c] of the Welfare and Institutions Code)
  - 4. Establishment of requirements related to annuities, designated beneficiaries, and California's role as a remainder beneficiary of annuities (Section 14006.15[a][2], 14006.41[b], 14009.6 of the Welfare and Institutions Code)

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- IV. The importance of determining client suitability for annuity sales** **10%**
- A. Identify the need for information prior to making recommendations
    - 1. The consumer's financial status
      - a. Income
      - b. Liquid assets
      - c. Comprehensive LTC Insurance in place?
    - 2. The consumer's tax status
    - 3. The consumer's investment objectives
    - 4. Other information to be used or considered relevant
  - B. Discuss the need for full contract disclosure (Section 10168.7 of the CIC)
  - C. Discuss the need for complete record keeping
- V. Required disclosures (Section 789.8 of the CIC)** **5%**
- VI. Policy cancellation and refunds (Section 10127.10, 10509.6 of the CIC)** **5%**
- A. Free look for persons 60 years and older (Section 786 of the CIC)
- VII Ethics, the agent and the insurance company** **10%**
- A. What it means to be an agent
  - B. Agent responsibility to the insured
  - C. Product knowledge
  - D. Need and benefit selling
  - E. Client confidentiality
  - F. The care owed to seniors
  - G. Agent's responsibility to the insurance company
  - H. Profiling the client
  - I. The insurance company – responsibility to agent, the client, the public
  - J. Leading by example