

California Department of Insurance

Four-Hour Annuity Training Outline

Topics to be included in the California Insurance Agents' Training Courses Primary Uses of Annuities, Types of Annuities, and the Senior Market

Background

Section 1749.8 of the California Insurance Code took effect on January 1, 2005. This law requires that California resident and non-resident 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). In addition, the law also requires life agents who sell annuity products to satisfactorily complete an additional four hours of annuity training every two years prior to their license renewal. For resident agents, this requirement is part of, and not in addition to, their continuing education requirements.

~~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 II, III, and Section X of the Eight Hour Annuity Training Outline which is available on CDI's Web site at www.insurance.ca.gov).~~

In addition, Assembly Bill (AB) 689 (Chapter 295, Statutes of 2011) Insurance Annuity Transactions became effective January 2, 2012. AB 689 adds Section 10509.915(a) to the California Insurance Code which states that an insurance producer shall not solicit the sale of an annuity product unless the insurance producer has adequate knowledge of the product to recommend the annuity and the insurance producer is in compliance with the insurer's standards for product training. Insurance producers may rely on insurer-provided product-specific training standards and materials to comply with the product-specific training requirement. Please note that AB 689 does not change the annuity training requirements which are stated in Section 1749.8 of the California Insurance Code. The annuity product-

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specific training is a separate requirement from the eight and four-hour annuity training noted above.

The training curriculum in this four-hour outline is from Section II, III, and XI of the California Department of Insurance Eight-hour Annuity Training Outline, Topics to Be Included in Eight-hour Annuity Training Course. The outline is available on CDI's website at www.insurance.ca.gov. Attachment III – Penalties – Annuity Training from the Eight-Hour Annuity Training course is also available at the end of this outline.

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Curriculum Objective – Training Goals

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

- Understand the primary uses and types of annuities
- ~~Be able to identify areas of concern to seniors~~ Understand investment concerns of seniors
- Be aware of annuities and other financial products available to seniors ~~such as Medicare, Long Term Care, annuities, life insurance etc.~~
- ~~Understand investment concerns of seniors~~
- Understand issues of buyer competency, ~~ethics and compliance~~
- Understand issues of annuity product ethics and compliance

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.

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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II.	<u>Discuss the primary uses of annuities – 10%</u>	<u>5</u>		20	4
III.	<u>Introduce the types of annuities Recognizing the Various Classifications of Annuities – 40 35%</u>	<u>5</u>		80 <u>70</u>	15 <u>13</u>
IV.	<u>The senior market - 50%</u>	<u>6</u>		100	19
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¹ Based on a 50-minute credit hour standard.

² 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 a minimum of 4,600 words for each hour of credit.

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- I. Identify and discuss suitability 5%**
In recommending that individual consumers, including consumers over the age of 65, purchase or exchange an annuity, the insurance producer (or insurer where no producer is involved), must have reasonable grounds for believing that the recommendation is suitable for the individual consumer on the basis of the facts disclosed by the individual consumer as to his or her investments and other insurance products and as to his or her financial situation, needs, and objectives.
- A. Licensing requirements for life-only agents
 - 1. Training (section 1749.8 of the CIC)
 - B. Checklist as required by Section 10509.914(e) of the CIC
 - C. Insurer responsibilities as required by Section 10509.914 (f)(D) and (E) of the CIC
- II. The primary uses of annuities 10%**
- A. Annuities defined
 - 1. An annuity is defined as the liquidation of a principal sum to be distributed on a periodic payment basis to commence at a specific time and to continue throughout a specified period of time or for the duration of a designated life or lives.
 - B. How does the utilization of annuities help fulfill consumer's retirement goals as compared to other financial planning vehicles (e.g. certificates of deposit, mutual funds, bonds, savings accounts, etc)?
- III. Introduce the types of annuities recognizing the various classifications of annuities. 40 35%**
- A. Annuity type according to when benefits are paid out
 - 1. Define immediate annuity
 - 2. Define deferred annuity
 - 3. Distinguish between the characteristics of the two types
 - B. Annuity type according to how and when premiums are paid
 - 1. Define single premium annuities
 - 2. Define flexible premium annuities
 - 3. Distinguish between the characteristics of the two types
 - C. Annuity type according to investment options offered
 - 1. Define variable annuities

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2. Define fixed annuities
3. Define indexed annuities
4. Distinguish between the characteristics of fixed, indexed, and variable annuities

D. Distinguish the relationship between the annuity types reviewed in A, B, C and how they relate to your client

IV. The Senior Market

50%

- A. Market volatility ~~R~~risk tolerance and the senior client
- B. Pre-retirement vs. post-retirement planning
- C. Financial concerns
 1. Social security income
 2. Retirement plan distributions
 3. Investing retirement assets
 4. ~~Surrender charges~~
- D. Insurance concerns
 1. Health
 2. Long term care
 3. Estate planning
- E. Selling to the senior market
 1. Product complexity
 2. Surrender charges
 3. The issue of buyer competence
 - a. The recognition of indicators that a prospective insured may lack the short-term memory or judgment to knowingly purchase an insurance product
 - b. When are there rescissions of a contract based on mental incompetence (Section 38 and 39 of the California Civil Code)
 - c. Family involvement / power of attorney
 4. Unique ethics and compliance issues
 5. Suitability for the senior market

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Attachment III – Penalties defined