

Iowa Issues Bulletin on Index Annuity Marketing Materials

September 17, 2014

On September 15, Iowa Insurance Commissioner Nick Gerhart issued Bulletin 14-02 regarding Insurance Marketing Organizations (IMOs). Bulletin 14-02 sets forth Iowa Insurance Division (IID) concerns with the following index annuity marketing practices.

- Marketing a withdrawal benefit's annual increase to the benefit base as an annual rate of return -- *e.g.*, the client earns 8% -- without disclosing the restrictions imposed to obtain the benefit of the increase.
- Marketing index crediting options as "uncapped" without disclosing how the limitations of the uncapped strategy, such as "spreads, participation rates, or the design of volatility controls, significantly reduce the actual returns" and lower future projected interest credits.
- Using marketing materials that depict hypothetical crediting rates based upon back-casted index returns that use either periods when the stock market indices performed extremely well, or periods during which the index was unavailable.

In each situation, the IID is concerned that the marketing practice gives consumers unrealistic expectations about the index annuity or the interest to be credited on their annuity values. While the IID recognized that IMO materials are generally intended for producer use only, it asserted that there is a possibility the materials could be viewed by consumers and that it is likely producers would reiterate the claims made in the materials provided to them. The IID warned that using the above marketing methods without "effectively communicating the conditions, limitations and restrictions" constitutes using an unfair and deceptive practice. The IID reminded insurers that they "are responsible for any of these misleading practices by IMOs, related to the insurers' products."

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