# BACKGROUND

Insurance Code [section 1749.8](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1749.8.) took effect on January 1, 2005. This law requires that California resident and non-resident life licensees who sell annuity products must first complete eight (8) hours of annuity training that is approved by the California Department of Insurance (Department). The law also requires life licensees who sell annuity products to satisfactorily complete an additional four (4) hours of annuity training every two years prior to their license renewal. For resident licensees, this requirement is part of, and not in addition to, their continuing education requirements.

Additionally, in 2012, Insurance Code [section 10509.915(a)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10509.915.) became effective. It requires 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. The insurer annuity product-specific training is a separate requirement from the eight and four-hour annuity training noted above.

[Senate Bill (SB) 263](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB263) (Dodd, Chapter 2, Statutes of 2024) Insurance: annuities and life insurance policies becomes effective on January 1, 2025. It includes Insurance Code section 10509.919, which makes the existing Article 9 “Suitability Requirements for Annuity Transactions,” [Sections 10509.910 through 10509.918](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=INS&division=2.&title=&part=2.&chapter=5.&article=9.), applicable to recommendations and sales of annuities made before January, 1, 2025. [SB 263](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB263) created the new Article 9.5 “Suitability Requirements for Annuity Transactions,” sections 10509.9200 through 10509.9210 in [SB 263](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB263), which will apply to annuity transactions that occur on or after January 1, 2025.

Insurance Code section 10509.9205(b) in [SB 263](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB263) explains the requirements for completing credit-hour training courses and the timing of completion. Insurance Code section 10509.9205(b)(3) requires that life licensees who are otherwise entitled to sell annuity products prior to January 1, 2025, must complete a one-time eight-credit hour annuity training by July 1, 2025 in order to sell annuity products. Individuals who become life licensees on or after January 1, 2025 are prohibited from engaging in the sale of annuities until they have completed the required annuity training course. In addition to satisfactorily completing the required one-time eight credit-hour training course, Insurance Code section 10509.9205(b)(2) requires that life licensees who sell annuity products in California must satisfactorily complete four continuing education credits prior to license renewal every two years, pursuant to Insurance Code section 1749.8(b).

The product-specific training requirements continue to apply to life licensees who sell annuities on or after January 1, 2025. In the new Article 9.5 in [SB 263](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB263), these requirements are located at Insurance Code section 10509.9204(c)(2), (B) and (C) and 10509.9205(a).

# OVERVIEW

The following outline is a listing of the topics that must be addressed as part of all 2025 Eight-Hour Annuity Training courses designed to meet the requirements of [SB 620](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=200320040SB620) (Chapter 547, Statutes of 2003) Annuities: life insurance: required disclosures and prohibited sales practices and how annuities affect Medi-Cal as stated in [SB 483](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=200720080SB483) (Chapter 379, Statutes of 2008). Medi-Cal: home and facility care, [Assembly Bill 689](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201120120AB689) (Chapter 295, Statutes of 2011) Insurance: annuity transactions, and [SB 263](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB263) (Chapter 2, Statutes of 2024): Insurance: annuities and life insurance policies.

# CURRICULUM OBJECTIVES

Each topic must be developed in its entirety and should explain (not merely recite) chaptered legislation and pertinent regulations. Each topic should ***include an explanation of*** why the topic is significant to the life licensee and client. The subjects do not need to be presented in this outline order. However, they do need to be developed in a clear and meaningful manner so that the life licensee derives a clear understanding of the pertinent issues and implications. All statistical information and points of fact must be referenced to the original source data.

Examples are encouraged to illustrate points and concepts.

For contact courses, the topics must be articulated in writing to the extent that the life licensee can relate the words of the instructor to the course material in a meaningful way. For correspondence courses, each topic must be developed in full so that the life licensee can get an understanding of the material as if the licensee was in a contact course.

Discussions of topics must be handled in a neutral manner. These sources should NOT:

* Use the opportunity to persuade
* Indoctrinate or enlighten licensees on a particular philosophy or a political or public policy position
* Opinions about state or federal legislation or forecasting the success or failure of legislation should not be included in these courses
* No marketing information is allowed in annuity courses
* Copyrighted material cannot be inserted or attached to the course material without proper references
* Attachments to the course material cannot contain the information noted in the above bulleted items

**These courses should not be used as an opportunity to persuade, indoctrinate, or enlighten licensees on a particular philosophy, or a political or 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.**

Course providers are required to do the following:

* Provide a detailed understanding of all the topic areas with how the issues affect seniors
* Show continuity of explanations in the course textbook, examples, references, and citations
* Provide easy-to-read text. Rather than seemingly unrelated pieces of data, the text should have a narrative explanation of why/how parts fit together
* Reach or state conclusions (i.e., explain why is this topic important and what does it mean for the policyholder)
* Substantiate information with material presented
* Focus courses on needs of consumers and the problems and solutions associated with annuities, especially as they affect seniors
* Explain how annuities affect persons that are 60 years and older, including Medi-Cal eligibility

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.  
  
Citations to Authority **-** All “Insurance Code” citations in this outline are to the California Insurance Code.

### TABLE OF CONTENTS

#### Historical Development of Annuity Contracts

1. How annuities evolved into the products and practices we see today as they relate to consumers (Attachment I)
2. Market overview

#### The Primary Uses of Annuities

1. Annuities defined
2. How does the utilization of annuities help fulfill consumers’ retirement goals as compared to other financial planning vehicles?

#### Types and Classifications of Annuities

1. Annuity type according to when benefits are paid out
2. Annuity type according to how and when premiums are paid
3. Annuity type according to investment options offered
4. Distinguish the relationship between the annuity types reviewed in A, B, and C, and how they affect your client’s customers

#### Identify the Parties to an Annuity

1. Describe the rights and obligations of the annuity owner
2. Describe the rights and obligations of the annuitant
3. Describe the rights and obligations of the insurance company
4. Describe the rights and options available to beneficiaries

#### How Fixed, Variable, and Index Annuity Contract Provisions Affect Consumers

* 1. Issue ages (Insurance Code [section 10112](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10112.))
  2. Maximum ages for benefits to begin
  3. Premium payments (Insurance Code [section 10540](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10540.))
  4. Surrender charges (Insurance Code [sections 10127.10](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10127.10.), [10127.12](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10127.12), and [10127.13](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10127.13.))

1. Identify and discuss contract provisions that are typically common to annuities.
2. Identify and discuss income distributions
3. Identify and discuss contract provisions that are typically common to fixed annuities
4. Identify and discuss variable annuities
5. Identify and discuss indexed annuities
6. Identify and discuss available riders

#### Qualified and Non-qualified Plans and Annuities

1. Difference between qualified and non-qualified types of plans
2. Annuities and retirement planning

#### Discuss the Applications of Income Taxation of Qualified and Non-qualified Annuities

1. Payment of premiums
2. Cash value accrual
3. Partial withdrawal
4. Loans and assignments
5. Internal Revenue Service (IRS) section 1035 exchanges
6. Gift of an annuity
7. Sale of an annuity by the owner
8. Death of an annuity owner
9. Death of an annuitant
10. Annuity benefits distribution
11. Tax effect on beneficiary estate issues
12. Disclaimer (Attachment II)

#### Advantages and Disadvantages

1. Advantages of annuities
2. Disadvantages of annuities
3. Illustrate/show the advantages and disadvantages of the following types of investment alternatives to annuities that include CD’s, money markets, savings, mutual funds, stocks, bonds, commodities, options, limited partnerships, promissory notes, real estate investment trusts, and viatical settlements.

#### Introduce Sales Practices for California Insurance Life Licensees

1. Required life licensee annuity product training
2. Describe the additional obligations of the insurance producer
3. Appropriate advertising
4. Prohibited sales practices
5. Identify and Discuss Client Suitability – “Best Interest Standard”
6. Identify required disclosures

#### Medi-Cal: Home and Facility Care

1. Home equity limits
2. Establishment of hardship exception
3. Look-back period
4. Establishments of requirements related to annuities, designated beneficiaries, and California’s role as a remainder beneficiary of annuities
5. Effect of annuity income on Medi-Cal qualifications

#### The Senior Market

1. Duty of honesty, good faith, and fair dealing; breach of duty
2. Market volatility risk tolerance and the senior client
3. Pre-retirement vs. post-retirement planning
4. Financial concerns
5. Insurance concerns
6. Selling to the senior market

#### Record Keeping

* 1. Discuss the required record keeping

#### Penalties

* 1. Administrative penalties
  2. Violation of provisions in Insurance Code sections [780](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=780) or [781](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=781.)
  3. Administrative penalty, amounts, rescission of contracts – Senior Insurance
  4. Allegations of licensee misconduct against a person who is a senior citizen

#### Role of the California Life and Health Insurance Guarantee Association in Relationship to Annuities

#### Attachments

* 1. Attachment I – Provider Legislative Reference
  2. Attachment II - Life Licensee Disclosure Requirements (Insurance Code [sections 789.8](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=789.8), [10509.4](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10509.4.))
  3. Attachment III – Penalties

**ANNUITY TRAINING OUTLINE**

##### Historical Development of Annuity Contracts

1. How annuities evolved into the products and practices we see today as they relate to consumers

1. History of legislation (Attachment I)

1. Market overview

##### The Primary Uses of Annuities

1. Annuities defined
2. “Annuity” as defined in California Insurance Code (Insurance Code) section 10509.9203 means “an insurance product under California law that is individually solicited, whether the product is classified as an individual or group annuity.” Annuities can provide periodic income payable over a person’s life time or for a specified time period.
3. How the utilization of annuities helps fulfill consumer’s retirement goals as compared to other financial planning vehicles (e.g., certificates of deposit, mutual funds, bonds, savings accounts)

##### Types and Classifications of Annuities

1. Annuity type according to when benefits are paid out
2. Define immediate annuity
3. Define deferred annuity
4. Distinguish between the characteristics of the two types
5. Annuity type according to how and when premiums are paid
6. Define single premium annuities
7. Define flexible premium annuities
8. Distinguish between the characteristics of the two types
9. Annuity type according to investment options offered
10. Define variable annuities
11. Define fixed annuities
12. Define indexed annuities
13. Distinguish between the characteristics of fixed, indexed, and variable annuities
14. Distinguish the relationship between the annuity types reviewed in A, B, and C, and how they would affect your client.

##### Identify the Parties to an Annuity

1. Describe the rights and obligations of the annuity owner
2. Identify the entities eligible for annuity ownership
3. Distinguish the rights of the annuity owner in owner-driven contacts
4. Distinguish the rights of the annuity owner in annuitant-driven contracts
5. Describe the rights and obligations of the annuitant
6. Identify the entities eligible for the role of annuitant
7. Distinguish the role of annuitant in owner-driven contracts
8. Distinguish the role of annuitant in annuitant-driven contracts
9. Describe the rights and obligations of the insurance company (Insurance Code [sections 10127.10](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10127.10.), [10127.11](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10127.11.), [10127.12](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10127.12.), [10127.13](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10127.13.), and [10509.6](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10509.6.))
10. Distinguish obligations with insurance company issued non-qualified annuities
11. Distinguish obligations with insurance company issued annuities for individual retirement accounts, tax sheltered annuities, and qualified retirement plans
12. Introduce insurance rating services and how they indicate an insurer’s financial strength
13. Advertising responsibilities (Insurance Code [section 787](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=787.))
14. Policy cancellation and refunds (Insurance Code sections [10127.9](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10127.9.), [10127.10](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10127.10.), and [10509.6](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10509.6.))
15. Describe the rights of and options available to beneficiaries
16. Identify how beneficiaries may be affected by [SB 483](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=200720080SB483) Medi-Cal home and facility care rules
17. Discuss the settlement options available to beneficiaries:
18. As a surviving spouse
19. As an individual or an entity other than a surviving spouse
20. How Fixed, Variable, and Index Annuity Contract Provisions Affect Consumers
21. Issue ages (Insurance Code [section 10112](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10112.))
22. Maximum ages for benefits to begin
23. Premium payments (Insurance Code [section 10540](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10540.))
24. Surrender charges (Insurance Code [sections 10127.10](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10127.10.), [10127.12](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10127.12.), and [10127.13](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10127.13.))
25. Market value adjustment
26. Explain the impact of surrender charges on principal
27. Surrender charge waivers – possible triggering events
28. Nursing homes and similar facilities
29. Terminal illness
30. Unemployment
31. Disability
32. Charges and fees
33. Death
34. Include the required notice and printing requirements
35. Policy administration charges and fees
36. Withdrawal privilege options and restrictions
37. Identify and discuss contract provisions that are typically common to annuities.
38. Identify and discuss income distributions
39. Introduce the concept of application of a split annuity in retirement planning
40. Introduce the various settlement options
41. Life
42. Joint survivor
43. Period certain
44. Cash refunds
45. Discuss the advantages and disadvantages of annuitization options
46. Identify and discuss contract provisions that are typically common to fixed annuities
47. Death benefits
48. Lump sum vs. annuitization
49. Provisions
50. Charges and fees
51. Interest rate strategies
52. Annual
53. Multi-year
54. Interest rate crediting methods
55. Portfolio rates
56. New money rates
57. First year bonus “teaser” rates – terms and restrictions
58. Explain annualized interest rate calculations on bonuses that apply to fixed accounts
59. Minimum Guaranteed Interest Rates (Insurance Code [section 10168.5](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10168.5.))
60. Low interest rate market and its impact on interest rates
61. Identify and discuss variable annuities
62. License requirements
63. Prospectus
64. Financial Industry Regulatory Authority (FINRA)
65. Typical contract provisions
66. General vs. separate accounts
67. Variable options
68. Regulation by the Securities and Exchange Commission (SEC)
69. Equity-based
70. Risk-based
71. Charges and fees
72. Dollar cost averaging
73. Death benefit guarantees (Insurance Code [section 10168.4](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10168.4.))
74. Living benefit guarantees
75. Identify and discuss index annuities
76. Primary interest crediting strategies
77. Spreads
78. Cap rates
79. Participation rates
80. Minimum guaranteed interest rate
81. Impact of premature surrender charges
82. Two-tier annuities – define concepts
83. Charges and fees
84. Identify and discuss available riders
85. Life insurance riders
86. Long term care (LTC) benefits riders
87. Differentiate between crisis waivers and long-term care riders
88. Discuss restrictions in qualifying for benefits under LTC riders
89. Skilled nursing facility rider
90. Hospice rider
91. Loan provisions
92. Other types of riders (i.e., Income Living Benefits)
93. Terms of riders
94. Cost of riders

##### Qualified and Non-qualified Plans and Annuities

1. Difference between qualified and non-qualified types of plans
2. Defined benefit
3. Defined contribution
4. IRA (Individual Retirement Account)
5. Roth IRA
6. TSA (Tax Sheltered Annuity) (403b)
7. 401(k)
8. SEP (Simplified Employee Pension Plan)
9. Annuities and retirement planning

##### Discuss the Applications of Income Taxation of Qualified and Non-qualified Annuities, including but not limited to, the following instances:

1. Payment of premiums
2. Cash value accrual (Insurance Code [sections 10168.2](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10168.2.) and [10168.25](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10168.25.))
3. Partial withdrawals
4. Loans and assignments
5. Internal Revenue Service (IRS) section 1035 exchanges
6. Gift of an annuity
7. Sale of an annuity by the owner
8. Death of an annuity owner
9. Ordinary income tax adjustment
10. Death of an annuitant
11. Ordinary income tax adjustment
12. Annuity benefits distributions
13. Discuss the exclusion ratio and its application in distribution calculations
14. Tax-deferred compounding
15. Discuss the proper way to compute taxable vs. tax-deferred vs. tax-free returns
16. Discuss the long-term effect of tax-deferred compounding vs. other available investment choices
17. Tax effect on beneficiary estate issues
18. Disclaimer – Attachment II (Insurance Code [section 789.8](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=789.8.))
19. If a life licensee offers to sell a client any insurance or annuity product, the life licensee shall advise the client or the client’s agent in writing that the sale or liquidation of this product may have tax consequences.
20. The life licensee shall disclose that the client may wish to consult independent legal counsel or financial advice before buying, selling, or liquidating any assets being solicited or offered for sale.
21. A life licensee shall not provide detailed advice with issues surrounding income estate taxation annuities. If expert tax assistance is required, life licensee shall advise client to consult with other professionals.

##### Advantages and Disadvantages

1. Advantages of annuities
2. For persons under 60 years old
3. For persons 60 years and older
4. Surrender charges
5. Disadvantages of annuities
6. For persons under 60 years old
7. For person 60 years and older
8. Surrender charges
9. Illustrate/show the advantages and disadvantages of the following types of investment alternatives to annuities that include CD’s, money markets, savings, mutual funds, stocks, bonds, commodities, options, limited partnerships, promissory notes, real estate investment trusts, and viatical settlements

##### Introduce Sales Practices for California Life Licensees

1. Required life licensee annuity product training (Insurance Code [sections 1749.8](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1749.8.), 10509.915, and 10509.9205 in [SB 263](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB263))
2. Describe the additional obligations of the insurance producer
3. Required disclosures (Insurance Code [section 789.8](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=789.8.))
4. Product specific illustrations (e.g., sales aids) (Insurance Code [sections 1725.5](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1725.5.) and [10127.11](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10127.11.))
5. REPLACEMENT (Insurance Code [sections 10509.2](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10509.2.), [10509.4](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10509.4.),[10509.8](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10509.8.),10509.9203(a)(13) and (14), and 10509.9204(a)(1)(K) in [SB 263](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB263))
6. Importance of reviewing sample contracts
7. Appropriate advertising (Insurance [section 1725.5](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1725.5.))
8. General advertising (Insurance [section 1725.5](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1725.5.))
9. Definition of advertisement: envelopes, stationary, business cards
10. Required information to be displayed
11. Use of the word “insurance”
12. License number
13. Seminars, classes, informational meetings (Insurance Code [section 787](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=787.))
14. Required information to be displayed
15. Use of the word “insurance”
16. License number
17. Direct mailers
18. Advertisements, coverages, and advertisers may not in any way imply a product is endorsed by or related to any government agencies (Insurance Code [section 787](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=787.))
19. Any person or entity that is exempt from licensure who is a direct response provider (Insurance Code [section 1725.5(i)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1725.5.))
20. Fines and penalties for violating Insurance Code section [1725.5](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1725.5.)
21. Internet Advertisements (Insurance Code [section 1726](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1726.))
22. Advertising specific to seniors (Insurance Code [section 787](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=787.))
23. Advertising specific to veterans (Insurance Code [section 787(l)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=787.))
24. Prohibited sales practice
25. Selling annuities for Medi-Cal eligibility (Insurance Code [section 789.9](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=789.9.))
26. Selling an annuity to persons 65 years and older for purpose of qualifying for Medi-Cal is prohibited if:
27. Assets are equal to or less than Community Spouse Resource allowance
28. Senior otherwise qualifies
29. After purchase, senior or spouse does not qualify for Medi-Cal
30. In-Home Solicitations: 24-hour Notice requirement for persons 65 years and older (Insurance Code [section 789.10](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=789.10.))
31. Criteria
32. For persons 65 years and older
33. Content of written notice
34. Cannot misrepresent true content of meeting
35. Sharing commissions with attorney (Insurance Code [section 1724](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1724.))
36. Unnecessary replacement (Insurance Code [sections 10509.8](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10509.8) and 10509.9204(a)(1)(K))
37. Define “unnecessary replacement”
38. Pay a surrender charge
39. Define substantial financial benefit
40. Examples of unnecessary replacement
41. Replacement of annuities, including individuals 65 years of age or older
42. Bait and switch
43. Pre-text interview – definition and examples, including trust mills and purporting to meet with a consumer to sell them an insurance product other than an annuity, for example, long term care insurance. (Insurance Code [sections 785.4](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=785.4.) and [791.02(u)(1) through (4)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=791.02.))
44. Unauthorized practice of law-drafting, delivering, interpreting legal documents (Business and Professions Code [section 6125](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=BPC&sectionNum=6125.))
45. Cause for suspension or revocation (Insurance Code [section 1668.1](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1668.1.))
46. Loans
47. Licensee named as beneficiary, trustee, and/or power of attorney
48. Benefits payable to family or friends of licensee
49. Exceptions
50. Penalties (Insurance Code [sections 782](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=782.), [789.3](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=789.3), [1668](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1668.),[1738](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1738.), [1739](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1739.), [10509.9](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10509.9.), and 10509.9206) (Attachment III)
51. Identify and Discuss Client Suitability – “Best Interest Standard”
52. “Best Interest Standard” Defined (Insurance Code section 10509.9204). The life licensee must act in the consumer’s best interest under the circumstances known at the time the recommendation is made, by not placing the life licensee’s or insurer’s financial interest ahead of the consumer’s interest and by satisfying four obligations: care, disclosure, conflict of interest, and documentation.
53. The “Best Interest Standard” applies to sales or recommendations of annuities. (Insurance Code section 10509.9210)

3. The importance of determining client suitability for annuity sales using consumer profile information (Insurance section 10509.9203(a)(2))

a. Identify the need for the consumer profile information prior to making recommendations. Examples include:

i. Age of the consumer

1. Income
2. Financial situation and needs of the consumer, including:
3. Debts and other obligations
4. Liquid net worth

iv. Financial resources used for funding the annuity

v. Financial objectives of the consumer

vi. Insurance Needs, such as long term care insurance;

vii. Other relevant information that the producer or insurer knew or reasonably should have known about as provided by the consumer.

4. Best Interest Standard - Four Obligations

a. Care Obligation (Insurance Code section 10509.9204(a)(1))

i. Understand the available recommendation options after making a reasonable inquiry into options available to the producer.

ii. Have a reasonable basis to believe the recommended option effectively addresses the consumer’s situation, needs, and objectives over the life of the annuity, as evaluated in light of the consumer profile information listed at Insurance Code section 10509.9203.

iii. Have a reasonable basis to believe that the consumer would receive a tangible net benefit from the transaction over the life of the product.

iv. Use reasonable efforts to obtain consumer profile information from the consumer prior to the recommendation of an annuity.

v. Communicate the basis or bases of the recommendation to the consumer orally and in writing and to the insurer in writing.

vi. The recommendation to the consumer shall be based on an evaluation of the consumer’s relevant consumer profile information and other relevant information, and shall reflect the care, skill, prudence, and diligence that a reasonable producer with similar authority and licensure who is familiar with those matters would use under the circumstances then prevailing.

vii. The consumer profile information, characteristics of the insurer, and product costs, rates, benefits, and features are factors generally relevant in determining whether an annuity effectively addresses the consumer’s financial situation, financial needs, insurance needs, and financial objectives, but the level of importance of each factor under the care obligation of this paragraph may vary depending on the facts and circumstances of a particular case. However, each factor shall not be considered in isolation.

viii. In the case of an exchange or replacement of an annuity, the whole transaction must be considered, which includes taking into consideration all of the following:

1) Whether the consumer will incur a surrender charge, be subject to the commencement of a new surrender period, lose existing benefits, such as death, living, or other contractual benefits, or be subject to increased fees, investment advisory fees, or charges for riders or similar product enhancements.

2). Whether the replacing product would not confer a substantial financial benefit to the consumer in comparison to the replaced product over the life of the product so that a reasonable person would believe the purchase is unnecessary.

3) Whether the consumer has had another annuity or life insurance policy exchange or replacement and, in particular, an exchange or replacement within the preceding 60 months.

b. Disclosure Obligation (Insurance Code section 10509.9204(a)(2))

i. Complete and provide the consumer with the insurer’s form or the “Insurance Agent (Producer) Disclosure for Annuities” form in Appendix A of the National Association of Insurance Commissioners’ (NAIC) [Suitability in Annuity Transactions Model Regulation](https://content.naic.org/sites/default/files/inline-files/MDL-275.pdf) (#275).

ii. Upon consumer’s request, disclose both of the following:

1. Estimated amount of cash compensation the producer will receive; and
2. Whether the cash compensation is a one-time or multiple occurrence amount, and if a multiple occurrence amount, the frequency and amount of the occurrence.

iii. Before or at the time of recommendation or sale of an annuity, inform consumer of annuity features, both positive

and negative, including any surrender charge period and potential surrender charges, potential tax penalty if the consumer sells, exchanges, surrenders, or annuitizes the annuity, mortality and expense fees, investment advisory fees, any annual fees, potential charges for and features of riders or other options of the annuity, penalties, fees, expenses, limitations on interest returns, potential changes in nonguaranteed elements, and market risk.

c. Conflict of Interest Obligation (Insurance Code section 10509.9204(a)(3))

i. Identify and avoid or reasonably manage and

prominently disclose any material conflict of interest, including material conflicts of interest relating to an ownership interest. For example, a life licensee having an ownership interest in an insurance company.

d. Documentation Obligation (Insurance Code section 10509.9204(a)(4))

i. At the time of recommendation or sale, provide the

consumer and the insurer with a written record of any recommendation and the basis for the recommendation.

4. Applicability of Best Interest Obligation (Insurance Code section 10509.9204(a)(5)) The Best Interest Obligation applies to every producer who exercised material control or influence in the making of a recommendation and received direct compensation as a result of the recommendation or sale, regardless of whether the producer had any direct contact with the consumer.

a. Activities such as providing or delivering marketing or educational materials, product wholesaling or other back office product support, and general supervision of a producer do not, in and of themselves, constitute material control or influence.

5. Insurer responsibilities Insurance Code section 10509.9204(c)(2)(B) through (E)

a. Provide product-specific training

b. Pre-issuance and post-issuance review of recommendations to ensure licensee compliance.

6. Licensee training required in order to sell annuities (Insurance Code sections [1749.8](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1749.8.), and 10509.9205

a. The training should note that sales of annuities that are subject to dual regulation with the Securities and Exchange Commission (SEC) must comply with SEC Regulation: “Best Interest,” [17 CFR](https://www.govinfo.gov/content/pkg/FR-2019-07-12/pdf/2019-12164.pdf) Section 240.15/-1, Regulation Best Interest, however the training only needs to cover California law; it does not have to cover the SEC Regulation.

b. Insurer provided product training (Insurance Code sections 10509.9204 and 10509.9205)

1. Identify required disclosures
2. Discuss the need for full contract disclosure (Insurance Code [section 10168.7](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10168.7.))
3. Policy cancellation and refunds (Insurance Code [sections 10127.9](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10127.9.), [10127.10](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10127.10.) and [10509.6](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10509.6.))

a. Free look for persons age 60 years and older (Insurance Code [section 10127.10](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10127.10.))

b. Free look for persons younger than 60 years old (Insurance Code [section 10127.9](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10127.9.))

##### Medi-Cal: Home and Facility Care

1. Home equity limits (Welfare and Institutions Code (WIC) section [14006.15(c](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=WIC&sectionNum=14006.15.)))
2. Establishment of hardship exception (WIC sections [14015.1](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=WIC&sectionNum=14015.1.) and [10415.2](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=WIC&sectionNum=14015.2.))
3. Look-back period (WIC section [14015(c](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=WIC&sectionNum=14015.)))
4. Establishment of requirements related to annuities, designated beneficiaries, and California’s role as a remainder beneficiary of annuities (WIC sections [14006.15(a)(2)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=WIC&sectionNum=14006.15.), [14006.41(b)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=WIC&sectionNum=14006.41.)), and [14009.6](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=WIC&sectionNum=14009.6.))
5. Effect of annuity income on Medi-Cal qualifications

##### The Senior Market

1. Duty of honesty, good faith, and fair dealing; breach of duty (Insurance Code [section 785](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=785.))
2. Market volatility, risk tolerance and the senior client
3. Pre-retirement vs. post-retirement planning
4. Financial concerns
5. Social security
6. Retirement plan distributions
7. Investing retirement assets
8. Surrender charges
9. Insurance concerns
10. Health
11. Long-term care
12. Estate planning
13. Selling to the senior market
14. Product complexity
15. Surrender charges
16. The issue of buyer competence
17. The recognition of indicators that prospective insured may lack the short-term memory or judgment to legally enter into an insurance contract
18. When are there rescissions of a contract based on mental incompetence (California Civil Code sections 38 and 39)
19. Family involvement/power of attorney
20. Suitability for the senior market

##### Record Keeping

A. Discuss the required record keeping (Insurance Code sections [10508.5](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10508.5.), [10509.9204(a)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10509.914.)(4), and 10509.9207)

1. Penalties (Insurance Code sections [782](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=782), [783](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=783.), [789.3](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=789.3), [1668](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1668.), [1668.1](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1668.1.), [1725.5](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1725.5.),[**1738**](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1738.)**,** [**1739**](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1739.)**,** [**10509.9**](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10509.9.)**, and 10509.9206) (Attachment III)**
   1. Administrative penalties (Insurance Code [section 10509.9](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10509.9.) and 10509.9206)
   2. Violation of provisions in Insurance Code sections [780](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=780) or [781](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=781.) (Insurance Code sections [782](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=782) and [783](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=783.))
   3. Administrative penalty, amounts, rescission of contracts – Senior Insurance (Insurance Code section [789.3](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=789.3))
   4. Allegations of licensee misconduct against a person who is a senior citizen (Insurance Code section [789.3](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=789.3))
2. Role of the California Life and Health Insurance Guarantee Association in Relationship to Annuities (Insurance Code sections [1067 through 1067.19](https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=INS&division=1.&title=&part=2.&chapter=1.&article=14.7.)**)**

##### Attachments

1. Attachment I – Provider Legislative Reference
2. Attachment II - Life Licensee Disclosure Requirements (Insurance Code sections [789.8](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=789.8), [10509.4](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10509.4.))
3. Attachment III – Penalties