## **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, 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)](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1749.8.).

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).

The training curriculum in this four-hour outline is consistent with Sections I, VI, VII, XI, and XII 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](http://www.insurance.ca.gov). Attachment II – Life Agent Disclosure Requirements for Sales to Elders and Attachment III – Penalties – Annuity Training from the Eight-Hour Annuity Training course are also available at the end of this outline.

## **Curriculum Objective – Training Goals**

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

* Be able to understand the tax implications of annuities.
* Be able to differentiate between income taxation of qualified and non-qualified annuities.
* Understand issues of buyer competency.
* Understand issues of annuity product ethics and compliance.
* Understand the licensees’ legal and ethical obligations to the consumer, insurer, and regulatory authorities, regarding the “Best Interest” standard of suitability in making annuity product recommendations.
* Be able to define the “Best Interest” standard of “suitability.”
* Be able to define the types of information that must be obtained from the consumer in order to make annuity product purchase recommendations which comply with the “Best Interest” standard of “suitability.”
* Be able to identify the product features and circumstances that would cause an annuity product to be suitable and unsuitable for a consumer using the “Best Interest” standard of “suitability.”
* Understand the processes in place to audit and supervise licensee activities.
* Identify the regulatory requirements that have been enacted to protect senior consumers during purchases and exchanges of annuity products.
* Identify violations of the “Best Interest” standard of suitability.

## **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 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 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 licensee can relate the words of the instructor to the course material in a meaningful way. For non-contact courses, each topic must be developed in full so that the licensee can get an understanding of the material as if the licensee was in a contact course.

Course providers are required to do the following:

* Provide a detailed understanding of all the topic areas, including 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.

Discussions of topics must be handled in a neutral manner. Both the discussions and course materials should **NOT** do any of the following:

* Use the opportunity to persuade.
* Indoctrinate or enlighten licensees on a particular philosophy or a political or public policy position.
* Include 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 course material without proper references.

Attachments to the course material cannot contain the information noted in the above bulleted items.

**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.

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## **Annuity Training Outline**

**I. Identify and Discuss Client Suitability – “Best Interest Standard"**

1. The “Best Interest Standard” Defined (Insurance Code section 10509.9204 in [SB 263](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB263)). 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.
2. The “Best Interest Standard” applies to sales or recommendations of annuities. (Insurance Code section 10509.9210 in [SB 263](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB263)).
3. The importance of determining client suitability for annuity sales using consumer profile information (Insurance Code section 10509.9203(a)(2) in [SB 263](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB263)).

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

a. Age of the consumer

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

d. Financial resources used for funding the annuity

e. Intended use of the annuity, including any riders attached thereto

f. Financial objectives of the consumer

g. Insurance Needs, such as long-term care insurance;

h. Liquidity needs

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

D. Best Interest Standard - Four Obligations

1. Care Obligation (Insurance Code section 10509.9204(a)(1) in [SB 263](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB263))

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

b. 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 in [SB 263](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB263).

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

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

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

f. 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.

g. 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.

h. 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.

2. Disclosure Obligation (Insurance Code section 10509.9204(a)(2) in [SB 263](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB263))

a. 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).

b. 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.

c. 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.

3. Conflict of Interest Obligation (Insurance Code section 10509.9204(a)(3) in [SB 263](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB263))

a. 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.

4. Documentation Obligation (Insurance Code section 10509.9204(a)(4) in [SB 263](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB263))

a. 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.

E. Applicability of Best Interest Obligation (Insurance Code section 10509.9204(a)(5) in [SB 263](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB263))

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.

1. 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.

F. Insurer responsibilities (Insurance Code section 10509.9204(c)(2)(B) through (E) in [SB 263](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB263))

1. Provide product-specific training.

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

G. Licensee Training (Insurance Code sections [1749.8](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1749.8.), 10509.9204(c) (2), and 10905.9205 in [SB 263](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB263))

1. Life licensees must comply with training requirements 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 in [SB 263](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB263))

a. The training should that note that sales of annuities 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.

1. NAIC Buyer’s Guide
2. Must be provided by insurer to consumer as a standalone document before or at policy delivery. (Insurance Code section 10509.9209 in [SB 263](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB263))

a. The NAIC Buyer’s Guide provided must be the most relevant to the type of product being recommended. Please go to www.NAIC.org to locate the relevant Buyer’s Guide.

**II. Identify examples of violations of the “Best Interest” standard of suitability**

1. Some examples of violations may include:

a. Not making reasonable efforts to obtain consumer profile information from the consumer prior to the recommendation of an annuity, and failing to consider all the “Consumer Profile Information” listed in Insurance Code section 10509.9204 (a) (1) (K);

b. Not having a reasonable basis to believe the recommended option effectively addresses the consumer’s financial situation, financial needs, insurance needs, and financial objectives over the life of the annuity, as evaluated in light of all the consumer profile information;

c. Not having a reasonable basis to believe that the consumer would receive a tangible net benefit from the transaction over the life of the product;

d. In the case of an annuity exchange or replacement, failing to consider all issues listed in Insurance Code section 10519.9203 the whole transaction, 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.

e. Not communicating the basis or bases of the recommendation to the consumer orally and in writing and to the insurer in writing;

f. Not providing a required disclosure that is the same or substantially similar to the “Insurance Agent (Producer) Disclosure for Annuities” form in Appendix A of the 2020 National Association of Insurance Commissioners’ (NAIC) Suitability in Annuity Transactions Model Regulation;

g. In situations where the consumer refuses to provide the consumer profile information, failing to obtain a customer-signed statement documenting both of the following:

1) The customer’s refusal to provide the consumer profile information, if any.

2) The customer’s understanding of the ramifications of not providing their consumer profile information or providing insufficient consumer profile information.

h. Failing to obtain a customer-signed statement acknowledging that an annuity transaction is not recommended if the customer decides to enter into an annuity transaction that is not based on the producer’s or insurer’s recommendation.

i. Failing to inform the customer about the various features, both positive and negative, of the annuity before or at the time of the recommendation or sale.

**III. Qualified and non-qualified plans and annuities**

A. Differences between qualified and non-qualified

B. Types of plans

1. Defined benefit

2. Defined contribution

3. IRA (Individual Retirement Account)

4. Roth IRA

5. TSA (Tax Sheltered Annuity) (403b)

6. 401(k)

7. SEP (Simplified Employee Pension plan)

C. Annuities and retirement planning

**IV. Income Taxation of Qualified and Non-qualified Annuities**

A. Payment of premiums

B. Cash value accrual (Insurance Code section [10168.2](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10168.2))

C. Partial withdrawals

D. Loans and assignments

E. Internal Revenue Service (IRS) Code section 1035 exchanges

F. Gift of an annuity

G. Sale of an annuity by the owner

H. Death of an annuity owner (Insurance Code section [10168.2](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10168.2))

1. Ordinary income tax adjustment

2. Spousal continuation provision

I. Death of an annuitant

1. Ordinary income tax adjustment

J. Annuity benefits distributions

1. Discuss the exclusion ratio and its application in distribution calculations

2. Tax-deferred compounding

a. Discuss the proper way to compute taxable vs. tax-deferred vs. tax-free returns

b. Discuss the long-term effect of tax-deferred compounding vs. other available investment choices

K. Tax effect on beneficiary estates issues

**V. 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. Maintaining sufficient liquidity
10. 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))
11. Market value adjustment
12. Explain the impact of surrender charges on principal
13. Surrender charge waivers – possible triggering events
14. Nursing homes and similar facilities
15. Terminal illness
16. Unemployment
17. Disability
18. Charges and fees
19. Death benefit for persons age 65 and older - at least equal to the annuity value or accumulation value, excluding any surrender charges or penalties upon death (Insurance Code section [10168.4](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10168.4.) (d)(2))
20. Insurance concerns
21. Health
22. Long-term care
23. Estate planning

F. Advertising responsibilities (Insurance Code [section 787](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=787.))

G. Selling to the senior market

1. Product complexity
2. 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.), [10127.13](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10127.13.), and [10168.4](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10168.4.)(d)(2))
3. Market value adjustment
4. Explain the impact of surrender charges on principal
5. Surrender charge waivers – possible triggering events

i. Nursing homes and similar facilities

ii. Terminal illness

iii. Unemployment

iv. Disability

v. Death - Exception for seniors (Insurance Code sections [10168.4](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10168.4.))

3. Charges and fees

4. Required notice regarding surrender charges and location requirement (Insurance Code sections [10127.10](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10127.10.) and [10127.13](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10127.13))

1. Disclosure for seniors age 65 or older regarding liquidating assets in order to purchase an annuity (Insurance Code section 789.8(b))

6. 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.)

7. The issue of buyer competence

1. The recognition of indicators that prospective insured may lack the short-term memory or judgment to legally enter into an insurance contract
2. When are there rescissions of a contract based on mental incompetence (California Civil Code sections [38](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=CIV&sectionNum=38.) and [39](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=CIV&sectionNum=39.))
3. Family involvement/power of attorney
4. “Best Interest” standard of suitability and seniors

**V.** Sales Practices for California Insurance Licensees

A. Appropriate advertising (Insurance Code sections [787](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=787.), [1725.5](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1725.5) and [1726](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1726))

1. General advertising (Insurance Code section [1725.5](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1725.5))

a. Definition of advertisement: envelopes, stationary, business cards

i. Required information to be displayed

ii. Use of the word “insurance”

iii. License number

b. Seminars, classes informational

i. Required information to be displayed

ii. Use of the word “insurance”

iii. License number

c. Direct mailers

d. 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.))

e. Internet advertising (Insurance Code section [1726](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1726))

f. Fines and penalties

2. Specific advertising to seniors (Insurance Code section [787](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=787.))

B. The importance of considering “Consumer profile information” in determining client suitability for annuity sales (Insurance Code section 10509.9203 (a)(3) and 10509.9204)

C. The care owed to seniors

D. Describe the rights and obligations of the insurance producer at contract inception

E. Requirements for replacements (Insurance Code sections [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) (14), 10509.9204(a)(1)(K))

F. Importance of reviewing sample contracts

G. Additional Disclosures

1. 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.))
2. Policy cancellation and refunds (Insurance Code sections [786](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=786.), [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))
3. Medi-Cal (Insurance Code section [789.8](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=789.8))
4. Replacement (Insurance Code section [10509.4](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10509.4))
5. Required notice regarding surrender charges and location requirement (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), [10127.13](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10127.13))

H. 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))

I. Prohibited sales practices

1. 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))

a. Selling annuity to persons 65 years and older for purpose of qualifying for Medi-Cal is prohibited if:

i. Assets are equal to or less than Community Spouse Resource Allowance

ii. Senior otherwise qualifies

iii. After purchase, senior or spouse does not qualify for Medi-Cal

2. 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.))

a. Criteria

i. For persons 65 years and older

b. Content of written notice

c. Cannot misrepresent true content of meeting

3. Sharing commissions with attorney (Insurance Code section [1724](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1724))

4. Unnecessary/unsuitable 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) in [SB 263](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB263))

a. Define substantial financial benefit over the life of the annuity.

b. Insurance Code section 10509.9204(a)(1)(K) in [SB 263](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB263) applies to sales of unnecessary replacements of annuities to individuals, regardless of individual’s age.

c. Insurance Code section [10509.8](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10509.8) applies to sales of unnecessary replacements of annuities to insured age 65 years of age or older.

d. Examples of unnecessary replacements or exchanges.

5. Bait and switch

a. Pretext interview – definition and examples (Insurance Code sections [791.02](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=791.02)(u), 1 through 4)

b. Long-term care sales

c. Unauthorized practice of law-drafting, delivering, interpreting legal documents (California Business and Professions Code section [6125](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=BPC&sectionNum=6125.))

6. Cause for suspension (Insurance Code section 1668.1)

a. Loans

b. Licensee named as beneficiary, trustee, and/or power of attorney

c. Benefits payable to family or friends of licensee

i. Exceptions

7. 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), [1738.5](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=1738.5.), and [10509.9](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10509.9))

J. 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))

1. Free look for persons 65 years and older (Insurance Code section [786](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=786) and [10127.10](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10127.10))

2. Free look for persons younger than 65 years old (Insurance Code section [10127.9](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10127.9))

**VI.** **Recordkeeping Requirements (Insurance Code sections** [**10508.5**](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10508.5.) **and 10509.9207 in** [**SB 263**](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB263)**)**

1. Discuss the required recordkeeping requirements for life licensees (Insurance Code section [10508.5](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10508.5.)) and per “Best Interest Standard” of annuity suitability (Insurance Code section 10509.9207 in [SB 263](https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB263)
2. **Attachment II – Life Agent Disclosure Requirements for Sales to Elders from the Eight-Hour Annuity Training course**
3. **Attachment III - Important Laws and Penalties Licensees Should be Aware of from the Eight-Hour Annuity Training course (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)**
4. 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.))
5. 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))
6. 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))
7. Administrative penalties for violations of replacement laws and regarding and laws governing Suitability – Best Interest Standard (Insurance Code [section 10509.9](https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=INS&sectionNum=10509.9.) and 10509.9206)
8. 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=10509.9.))