



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

**Bulletin IC – 20  
October 01, 2008**

**To: ALL INSURANCE PRODUCERS AND THE EXECUTIVE OFFICERS OF LIFE AND ANNUITY INSURANCE COMPANIES LICENSED IN THE STATE OF CONNECTICUT**

**Re: INDUSTRY RESPONSIBILITY CONCERNING REPLACEMENT OF LIFE POLICIES AND ANNUITIES ISSUED BY AIG**

Recent events concerning AIG Holdings have had a significant impact on the financial markets. The Federal Reserve provided an \$85 billion revolving loan to assist AIG Holdings in meeting its liquidity needs. As part of that transaction, the Federal Reserve received a nearly 80% ownership interest in AIG Holdings.

However, insurance policies and annuities issued by AIG insurance subsidiaries are protected by, and continue to report compliance with, state insurance solvency regulations. Currently, all of the AIG subsidiaries, including life and annuity insurers, are solvent and financially stable due to effective state regulation and continue to function as viable insurance operations.

All insurers and their producers are reminded that they are legally obligated to ensure that the insurance buying public and, due to current circumstances, especially policyholders who own policies or annuities issued by any of the insurance companies in the AIG group of companies should under no circumstances be subjected to false or misleading statements or information, or receive solicitations aimed at replacing current coverage with insurance products that may be unsuitable for the insured's circumstances.

In addition: (1) Annuity insurers are legally required by law to supervise their insurance agents to ensure that such solicitations do not occur. Being fully aware of the current market environment and the danger of fear induced sales, all insurers have an obligation to immediately take proactive steps to prevent improper solicitation activities. (2) An insurance agency selling annuities is subject to the same legal obligation to supervise its insurance producers to prevent improper annuity solicitations and is similarly obligated to take immediate preventive measures. (3) Insurance producers are prohibited under applicable state laws from engaging in improper solicitation activities involving misrepresentation or the use of incomplete, misleading or false information or statements. Insurance producers replacing existing insurance policies or annuities should be prepared to document that any policy replacement recommendations are suitable, in the clients' best interest and based on proper representations of the replaced insurer's status. (4) Pursuant to the Connecticut Unfair Insurance Practices Act, insurers and insurance producers are specifically prohibited from making, publishing, disseminating or circulating untrue, deceptive or misleading statements regarding the financial condition of an insurer. In addition under the Connecticut Unfair Insurance Practices Act, insurers and their producers are prohibited from

engaging in any untrue, deceptive, or misleading advertising and promotional activity. These legal prohibitions are not circumvented by the redistribution of articles or materials prepared by others.

To avoid inappropriate activities, insurers are required to approve, prior to use, all advertisements for solicitation of life or annuity sales used by their agents to ensure that they fully comply with Connecticut law. Insurers should also immediately implement measures to remind insurance agents of this requirement and to review proposed advertising for improper content.

The Insurance Department will be monitoring carefully replacement activities, especially those affecting policies issued by insurers within the AIG group. In addition, all measures implemented by insurers or insurance agencies to prevent improper solicitations of AIG life and annuity policyholders are subject to audit and review by the Insurance Department. Any audit conducted by the Department, through data calls, examination or complaint review, that identifies an insurer's or insurance agency's failure to implement appropriate supervisory measures, or disproportionate AIG life or annuity replacements, may lead to further investigation and possible administrative action. Any strategy to replace life and annuity products of AIG insurers primarily on the basis that they are AIG products will be viewed as an unsuitable replacement. Misrepresentations about the status of these companies in order to induce fear into consumers will not be tolerated and appropriate enforcement action will be taken against any licensee who improperly replaces such policies or allows such replacement to occur.

Obviously, suitable replacements of any insurance product where the replacement is in the best interest of the client, properly done, in compliance with all replacement standards, and for which full documentation of suitability is maintained are acceptable.

I am specifically requesting top management's attention to this critical issue. I further request that all insurance companies notify their licensed producers, as well as company employees engaged in sales and marketing, of their obligations and the contents of this Bulletin.



---

Thomas R. Sullivan  
Insurance Commissioner