Annuites can provide a steady income after retirement and can be beneficial, but they can also be confusing. If you are thinking about buying an annuity, the Rhode Island Insurance Division and the National Association of Insurance Commissioners (NAIC) offers this comprehensive guide to help determine if an annuity is right for you.

Annuity Basics
An annuity is a contract in which an insurance company agrees to make a series of payments in return for a premium (or premiums) that you have paid. Many consumers buy annuities so that they will have a regular income after they retire. An annuity is an investment and shouldn’t be used to reach a short-term financial goal. Buying an annuity may or may not be right for you. Contact a licensed agent or broker to be sure an annuity is the right choice for your financial future. If you have questions regarding retirement planning, you should consult a reputable financial planner to make sure you are on target to meet your goals.

There are several types of annuities, all of which carry varying levels of risk and guarantees. To find the annuity that will best suit your needs, it is important to know the difference between each and the benefits offered.

- **Single Premium Annuity**: You pay the insurance company only once.
- **Multiple Premium Annuity**: You pay the insurance company multiple payments.
- **Immediate Annuity**: You will begin to receive income payments no later than one year after you pay the premium.
- **Deferred Annuity**: After the initial savings phase, you receive income payments once you choose to receive them. A copy of a Buyer’s Guide to Deferred Annuities is available here.
- **Fixed Annuity**: Your money, minus any applicable charges, earns interest at rates specified in your contract.
- **Variable Annuity**: The insurance company invests your money, minus any applicable charges, into a separate account based upon the amount of risk you want to take. The money can be invested in stocks, bonds, or other investments.
• **Equity-Indexed Annuity:** A variation of a fixed annuity in which the interest rate is based on an outside index, such as a stock market index. The annuity pays a base return, but it may be higher if the index increases.

**Buying an Annuity**
Rhode Island state law requires a suitability analysis before the sale or replacement of an annuity product. This analysis includes an evaluation of your financial position, income needs and the cost of liquidating any assets. This can help you determine which annuity is right for you. [230-RICR-20-25-6](https://www.ripub.com/cga/mis/statutes/230-RICR-20-25-6) governs certain annuity disclosure requirements. You can also contact the Rhode Island Division at 401-462-9520 or email at dbr.insurance@dbr.ri.gov for additional information.

As with other major purchases, it’s a good idea to shop around and compare information for similar products from several companies. While you do your research, keep detailed records and get all quotes and key information in writing.

When you are ready to purchase an annuity, carefully review the contract with your agent or broker. Ask for an explanation of anything that you don’t understand. Be sure you are aware of all of the terms and conditions such as surrender charges and/or cancellation penalties.

In Rhode Island, you have a right to examine and review your individual annuity policy within 20 days of receipt, commonly known as a “free look” period. If you decide within that time period that you no longer want the annuity, you can cancel for a full refund. The free look period should be prominently stated on the front page of your contract.

**Don’t Be Pressured**
Unfortunately, some insurance providers use inappropriate sales practices in an attempt to take advantage of uninformed consumers. Some common red flags include relentless sales pitches that pressure you into buying a product quickly or a deal that seems too good to be true.

The best way to protect yourself is to research the agent and company you’re considering:

• **STOP** before writing a check, signing a contract or giving out personal information.
• **CALL** your state insurance department at 401-462-9520, or email at dbr.insurance@dbr.ri.gov and
• **CONFIRM** that the agent and company are licensed to write insurance in your state.
More Information
Please visit our website at www.dbr.ri.gov, or you may click here to obtain additional consumer information and alerts issued by the Rhode Island Insurance Division.

For specific questions about insurance coverage or about a licensee, you may contact the Rhode Island Insurance Division at 401-462-9520, or email at dbr.insurance@dbr.ri.gov.

About the RI Insurance Division
The mission of the Rhode Island Insurance Division is to assist, educate and protect Rhode Islanders through the implementation and enforcement of state laws mandating regulation and licensing of the regulated industries while recognizing the need to foster a sound business environment in the state. We are also committed to treating everyone who comes before us fairly, efficiently and with respect. Please visit our website to obtain additional consumer information and alerts issued by the Rhode Island Insurance Division.

About the NAIC
The National Association of Insurance Commissioners (NAIC) is the U.S. standard-setting and regulatory support organization created and governed by the chief insurance regulators from the 50 states, the District of Columbia and five U.S. territories. Through the NAIC, state insurance regulators establish standards and best practices, conduct peer review, and coordinate their regulatory oversight. NAIC staff supports these efforts and represents the collective views of state regulators domestically and internationally. NAIC members, together with the central resources of the NAIC, form the national system of state-based insurance regulation in the U.S.

Joseph Torti III
Superintendent of Insurance
April 14, 2015