

Regulatory Penalties

New York Life Agrees to Pay \$10.9M for Unsuitable Annuity Swaps

By Arthur D. Postal March 3, 2021

New York Life must pay a \$5.53 million fine and \$5.4 million in compensation to consumers after a New York regulator determined the insurer didn't disclose enough information on the sale of replacement annuities.

The failure to adequately disclose income comparisons and suitability information caused consumers to exchange more favorable deferred annuities for immediate annuities, the Department of Financial Services found.

Hundreds of consumers in the state will be paid additional compensation going forward in the form of higher monthly payouts for the remainder of their contract terms, the regulator said. New York Life has also agreed to revise its disclosure statements to include side-by-side monthly income comparisons and change its disclosure, suitability, and training procedures, according to **Linda Lacewell**, superintendent of the department.

"We have always acted in good faith and remain fully committed to providing our policy owners with the right tools and guidance to meet their financial needs," a spokesperson from New York Life said. The insurer was able to work with the regulator to "find a resolution that best serves our policy owners," according to the spokesperson.

The fines are part of an ongoing enforcement action regarding sale of replacement annuities.

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The department fined four carriers on the matter in 2020, most recently **Principal Financial's** life insurance business in October. Last April, the regulator ordered the life insurance companies of **Lincoln National**, **MassMutual** and **Pacific Life** to pay \$934,000 in penalties and \$1.08 million in compensation.

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New York consumers received incomplete information about the replacement annuities, resulting in less income for identical or quite similar payout options. The regulator cited a rule that says recommendations for life insurance and annuities must be “in the best interest of the consumer” and address that person’s insurance needs and financial objectives.

So far, the investigation has resulted in settlements with 12 life insurers, totaling \$23 million in compensation and penalties.

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A September 2019 announcement said settlements had been reached for **Companion, Guardian, Northwestern Mutual, Penn Mutual, Prudential Financial** and **U.S. Life**. Before that, **National Integrity** was penalized in December 2018.

Lacewell said the probes have found that many