



COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE

One South Station • Boston, MA 02110-2208
(617) 521-7794 • FAX (617) 521-7475
TTY/TDD (617) 521-7490
<http://www.mass.gov/doi>

DEVAL L. PATRICK
GOVERNOR

TIMOTHY P. MURRAY
LIEUTENANT GOVERNOR

DANIEL O'CONNELL
SECRETARY OF HOUSING AND
ECONOMIC DEVELOPMENT

DANIEL C. CRANE
DIRECTOR

NONNIE S. BURNES
COMMISSIONER OF INSURANCE

BULLETIN 2008-14

TO: All Insurers Issuing Life Insurance or Annuity Products
All Insurance Producers Soliciting, Selling or Negotiating Life Insurance
or Annuity Products

FROM: Nonnie S. Burnes, Commissioner of Insurance

DATE: September 26, 2008

RE: AIG Life and Annuity Insurers

This bulletin is issued to reinforce the obligations of insurers and producers concerning the solicitation and replacement of life insurance and annuities.

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.

AIG insurance subsidiaries are protected by, and continue to report compliance with, state insurance solvency regulations. The AIG insurance subsidiaries, including life and annuity insurers, continue to function as viable insurance operations.

You are reminded that you are legally obligated to ensure that policyholders of AIG life and annuity insurers are not subject to misleading or unsuitable replacement solicitations or sales. Specifically, you are reminded of the following:

1. An insurer is legally required to supervise its insurance agents to ensure that misleading or unsuitable solicitations or sales do not occur. Insurers are fully aware of the current market environment and the danger of fear-induced sales. Insurers have an obligation to take steps immediately to prevent improper solicitations and sales.

2. An insurance agency is subject to the same legal obligation to supervise its employees to prevent improper solicitations and sales and is similarly obligated to take steps immediately to prevent any such solicitations.
3. A producer is legally prohibited from making an improper solicitation. A producer should be prepared to document that any AIG life or annuity policy replacement recommendation is suitable and based on proper representations of the AIG insurer's status.
4. Insurers and producers are specifically prohibited by law from making misleading statements regarding the financial condition of an insurer.

The Division of Insurance (“the Division”) will be carefully monitoring the replacement activity affecting the AIG life and annuity insurers. The Division will review the measures you implement to prevent improper solicitation of AIG life and annuity policyholders. Monitoring by the Division will take place through data calls, examination or complaint review. Identification of an insurer's or insurance agency's failure to implement appropriate supervisory measures, or disproportionate AIG life or annuity replacements, may lead to an investigation and/or enforcement 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 on those who improperly replace these policies.

Of course, suitable replacements of these products, properly done and in compliance with replacement standards are acceptable. The applicable regulation, 211 CMR 34.00: The Replacement of Life Insurance and Annuities can be found on the Division of Insurance website, www.mass.gov/doi.

Any questions regarding this bulletin should be directed to Mindy Merow Rubin, Counsel to the Commissioner at 617-521-7316 or mindy.merowrubin@state.ma.us.