

## **Think Twice About Replacing Life Insurance or Annuities**

### **Tips to Consider Before Replacing a Policy**

Consumers who may be approached to replace their insurance products should consider the following tips before replacing a policy.

- Replacing or liquidating an annuity or life insurance policy can have hidden costs and tax consequences. Be aware that some policies may contain surrender charges and/or cancellation penalties.
- Don't be pressured to make an immediate decision. Don't be convinced to change coverage quickly without using the opportunity to do adequate research.
- Nebraska laws require a suitability analysis before the sale or replacement of any annuity product. A suitability analysis should include an evaluation of your financial position, income needs and the cost of liquidating any assets.
- Make sure you read and fully understand the terms and conditions of your current insurance policy and any insurance policy you may purchase before making a final decision. Terms and conditions of each contract will vary.
- Be aware the surrender period will start anew under the new plan, and you may have to pay a penalty to access your funds.
- Talk to a trusted financial adviser or family member before making any decisions. Whether you should cash in your insurance policy or switch insurance to another insurer is a personal decision.
- The proof is in the paperwork. Get all key information in writing. If you decide to replace your policy, keep a copy of all paperwork you complete and sign, as well as any correspondence.
- Contact the Nebraska Department of Insurance to obtain a list of the information your agent or broker should give you before you make a decision.
- If you do decide to replace your policy, keep paying the premiums on your current policies until a new policy is issued. Failure to pay your premiums can result in the termination of your insurance policies and could result in a gap in coverage.
- Nebraska insurance law gives you a set number of days following delivery to look at the contract after your purchase. If you decide during that time that you don't want the new plan, you can return the contract and get all your money back. This is often referred to as a free-look or right to return period. The free-look period should be prominently stated in your contract. Be sure to read your contract carefully during the free-look period.

## **Information on Insurance Guaranty Associations**

If it appears that an insurer is not going to be able to fulfill its promises to policyholders, the Nebraska Department of Insurance can take over management of that insurer through conservation or rehabilitation. Even if liquidation of an insurance company is necessary, policyholder claims will generally be paid either by the insurance company or by a guaranty fund, which all states have in place to provide coverage to policyholders. This protection applies to direct business written by authorized licensed insurers.

For more information, visit the National Organization of Life and Health Insurance Guaranty Associations (NOLHGA) at [www.nolhga.com](http://www.nolhga.com) or the National Conference of Insurance Guaranty Funds (NCIGF) at [www.ncigf.org](http://www.ncigf.org). A brochure entitled, Guaranty Fund Protection, is located at [doi.nebraska.gov/sites/doi.nebraska.gov/files/doc/GuarantyFunds.pdf](http://doi.nebraska.gov/sites/doi.nebraska.gov/files/doc/GuarantyFunds.pdf).

## **More Information**

For additional insurance-related information, contact the Nebraska Department of Insurance locally at 402-471-2201, on its toll-free consumer hotline at 1-877-564-7323, or visit the website at [doi.nebraska.gov](http://doi.nebraska.gov).