

COMPLIANCE UPDATE

All States: Medicaid and Medicaid Qualifying Annuities

- Marketing Company products as “Medicaid Annuities” or “Medicaid-Qualifying Annuities” is forbidden;
- Attempts to amend the contract/application to make the contract non-assignable will be rejected;
- Enforcement Effective Date: November 1, 2009.

Background

The Deficit Reduction Act of 2008 changed the way the purchase of single-premium immediate annuity products (SPIAs) and eligibility for Medicaid were treated in relation to the rules for transfer of assets. Since that time, we have noted that specific requests to amend annuity contracts to make them “Medicaid-friendly” have continued. Additionally, trade press and a number of agent Web sites discuss strategies for utilizing annuities to achieve eligibility for Medicaid assistance without the usual waiting period.

These strategies often refer to the product as a “Medicaid Annuity,” or “Medicaid-Qualifying Annuity.” The laws governing eligibility for Medicaid assistance when a SPIA has been purchased are complex and vary from state to state. Individuals should seek qualified legal counsel in any attempt to achieve Medicaid eligibility. Applications which appear to involve an attempt to achieve Medicaid eligibility raise suitability concerns and may put consumers at risk for negative financial consequences.

Company Position

The Company is taking the following steps to ensure that sales of SPIAs are not inappropriately utilized to help satisfy complex Medicaid eligibility requirements and are suitable for the consumer:

- Marketing an annuity product sold by the Company as a “Medicaid Annuity” or “Medicaid-Qualifying Annuity” is expressly forbidden. No advertising, promotional, or marketing materials using these designations will be approved.
- American General Life Companies will not accept unauthorized attempts to amend to the contract/application to make the contract non-assignable for Medicaid eligibility purposes.
- Applications for Single Premium Immediate Annuity (SPIA) products naming a state Medicaid administrator as a beneficiary on the contract will be referred to management for handling on an exception basis to ensure suitability.

Producers should review contracts sold to make sure that they are in compliance with this policy. We encourage you to consult a legal specialist if you have additional questions about whether a sales proposal is in compliance.

If you have questions regarding this procedure, please call the Annuity Producer Care Center at 1-888-438-6933.

Effective Date

The procedures described by this bulletin apply to SPIA applications received on or after November 1, 2009.