Does the 30 Day "Free Look" Protect You As Well?

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The 30-day free look provision (days may differ by state) was put in place to protect a client from signing a document and not having the ability to "test drive" the product. As an advisor, I think we feel that this was a very fair rule; we respect it and abide by it. This rule also protects the advisor by preventing a client from saying the advisor did not go over or deliver the contract, even if the advisor has a contract delivery receipt verified with their signature. Most carriers in the annuity industry require a delivery receipt signed by the client so they know exactly when to begin the 30-day evaluation period. Once advisors receive that signed receipt it lets them know they have thirty days until this becomes a valid contract and they can count on the commission sticking. While this process has worked well in the past, it is becoming apparent that things are beginning to change as far as some carriers are concerned.

One issue affecting the above process is litigation. Carriers have begun to receive letters stating misconduct by advisors or various other complaints from clients following their 30-day free look period and in some cases up to 2 years into a policy. What is most troubling is the fact that in many cases the letters are obviously written by another advisor. Was this because there was actual wrong doing, or the fact that the advisor writing the letter for the client wants to have the investment assets to work with for them? In fact, some of these letters appear to be templates and have shown up at several different carriers, from the same advisor, but for different clients.

These letters bank on the fact that the insurance company does not want to deal with litigation or receive bad press, so a complaint issued by the client could give full account value to invest somewhere else. Until recently, most advisors were confident that after the 30-day free look with annuities, it was safe to feel that the contract had been placed. Unfortunately, it appears that is not the case as of late.

For example, let's say the insurance company does give the money back in full to the client. Now what is the process as far as the original advisor is concerned? Did they even ask the advisor his/her side of the story or statement? Is there any other evidence besides this letter?

Sometimes companies do ask questions and try to conduct internal investigations; however, lately it seems more to be the exception instead of the rule. To be fair to the carriers it should be stated that, if something was sold improperly, the client should be refunded. But if it is simply the element of risk involved, or if the client is just not happy with the product they decided on, then the carrier should back up the advisor.

The crazy thing is that if the carrier does send back the money, a lot of the carriers charge the advisor back the commissions from dollar one. This takes the power right out of the advisor's hands. Why do companies feel justified in doing this? They are making a bet that the producer will not make waves since there was a complaint logged. This gives carriers' supreme power, especially if the advisor has nothing to back himself/herself up.

What can an advisor do to stop this? My advice to you is the following:

Always make sure to keep very good notes and information on anything to do with a client. ANYTHING! This includes notes EACH time a conversation or contact is even attempted. If you do not have a contact management system, please get one ASAP. I would also keep a copy of all free-flowing notes you made while in front of the client. Make sure you have a good clean copy of the policy delivery receipt.

If a carrier lets you know of a complaint, make sure you take the offensive. Call the carrier and try to work with them, not against them. Let them know that you have all of your notes and information and will be glad to write a letter of response. Make sure you are ready to challenge the complaint. Let the company know that you completed every requirement they asked of you and you are insisting that they back you up on this to the full extent of their power. Let them know that if they decide to settle for sending back the premium in full, you expect NOT to be charged back your commission since you did nothing wrong. I would also get your marketing company involved at this point as well so they can use their resources to help.

I never want to have an adverse relationship with carriers. I always try my best to work out any problems I have with them. I hope you will as well, but do not let someone else make decisions that will negatively affect your compensation when you have not done anything to deserve it!

Please keep this in mind for your next annuity client. Keep good information from this point on!