The Safety of Annuities

"Is my money safe?" is one of the most common questions we hear — and an important one. When it comes to your financial future, you deserve to know exactly how protected your money is. Insurance companies operate under a regulatory system built with multiple layers of protection, each one designed to safeguard your contract before the next is ever needed.

How Your Annuity Is Protected

No system is perfect, but the insurance industry's reserve requirements and oversight structure mean that even smaller carriers can provide rock-solid protection. Here is what stands behind your contract, layer by layer.

1 Legal Reserve Requirements

For every $100 million in client premiums, insurance carriers are required by law to hold $100 million in reserves. These reserves are invested conservatively — typically 50%–70% in Treasuries or investment-grade bonds, most often issued by Fortune 500 companies. The holdings are highly diversified: any single bond issuer generally represents less than 1% of a carrier's total portfolio. If one bond underperforms, the insurer can sell it on the secondary market, and the impact is usually minor thanks to the strength of the remaining bonds.

2 Surplus of Capital

Beyond the legal reserve, carriers hold a surplus — extra capital above what's owed to policyholders. A company with $100 million in liabilities might hold $104 to $108 million in total assets, a 4%–8% surplus. If a number of reserve issues happen at once, this surplus can be drawn on to maintain the required dollar-for-dollar ratio.

3 Parent Company Support

If the surplus isn't enough, the insurer can turn to its parent company or investors for additional capital. Many leading insurance groups carry deep financial reserves specifically to support their subsidiaries through periods of stress — it's worth knowing who ultimately stands behind the company issuing your contract.

> *"Insurance regulation is built in layers — each one designed so your contract is protected long before the next layer is ever needed."*

What Happens in a Worst-Case Scenario

Even if the first three layers of protection were somehow exhausted, several additional safeguards exist before a policyholder would ever be at risk.

4 **Sell Off or Insolvency**

If capital support isn't available, the next step is typically a sale to a larger, financially strong insurance company — a common transaction, often viewed as a smart investment by the acquiring carrier. Importantly, if you already own a policy, the new insurer must honor all existing contract terms in full. If your annuity pays $5,000 a month, that benefit continues without interruption.

5 **Reinsurance and Receivership**

If a sale isn't possible, the state steps in. The insurance department places the company into receivership — a legal process in which the state assumes control and works to transfer policies to a stronger insurer. The state has a fiduciary responsibility to protect policyholder funds throughout this transition.

6 **State Guaranty Fund and Liquidation**

As a final layer of protection, if no buyer can be found, the insurer may go into liquidation. At that point, the State Guaranty Association steps in to cover policyholders, up to the limits set by each state — a safety net that functions much like FDIC coverage for bank deposits.

What This Means for You

At Byrer Wealth Management, we only recommend insurance companies with strong financial ratings, proven histories, and substantial asset bases — some with track records spanning more than a century. While a carrier's size can be one factor of stability, it's the industry's legal reserve system and multi-layered oversight structure that ultimately make even smaller carriers capable of providing rock-solid protection.

Why Work With Byrer Wealth Management

As a dedicated fixed annuity and insurance specialist — not tied to a single carrier — Byrer Wealth Management is built to help you evaluate carrier strength alongside product design, so the guarantee behind your contract is as sound as the contract itself. If you'd like to review the financial strength of a carrier you're considering, let's talk.

Content in this piece is adapted from industry-standard educational material on insurer solvency and state guaranty association protections, drawing on publicly available sources including Annuity.org's overview of annuity regulations and the NAFA State Guaranty Fund Directory, and is provided for general educational purposes only. It is not investment, tax, or legal advice, and does not describe the financial condition, reserves, or rating of any specific insurance company. State guaranty association coverage limits vary by state and by product type; guarantees are backed by the claims-paying ability of the issuing insurance company, and guaranty association coverage is not a substitute for carrier due diligence. Annuities are not a deposit, are not insured by the FDIC or by any government agency, and may lose value.

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