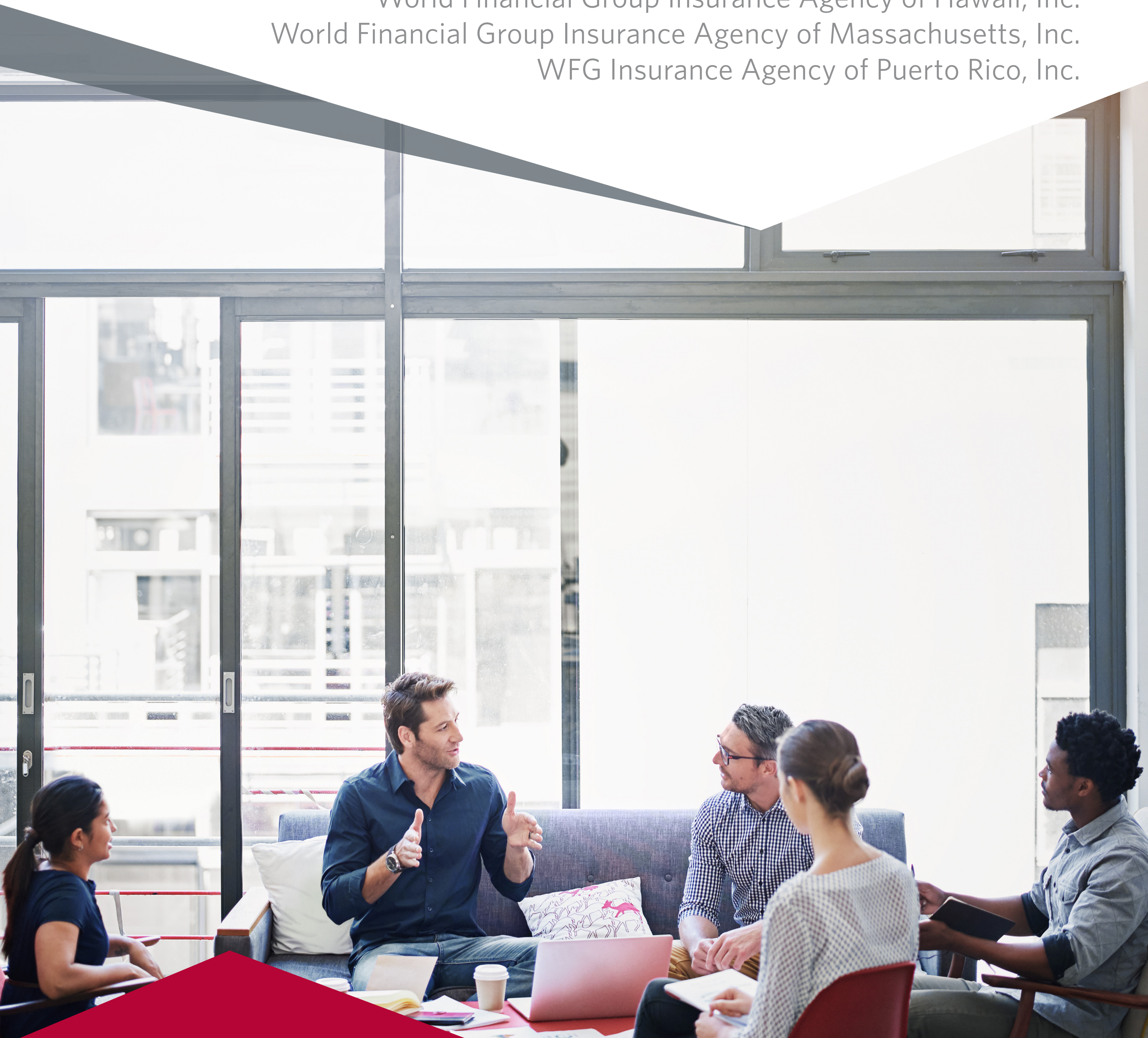
Agent Insurance Guide

World Financial Group Insurance Agency, Inc.
World Financial Insurance Agency, Inc.
World Financial Group Insurance Agency of Hawaii, Inc.
World Financial Group Insurance Agency of Massachusetts, Inc.
WFG Insurance Agency of Puerto Rico, Inc.



WORLD FINANCIAL GROUP
INSURANCE AGENCY, INC.

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Introduction

Congratulations on choosing to be a licensed agent with World Financial Group Insurance Agency, Inc., World Financial Insurance Agency, Inc., World Financial Group Insurance Agency of Hawaii, Inc., World Financial Group Insurance Agency of Massachusetts, Inc. and/or WFG Insurance Agency of Puerto Rico, Inc. (collectively WFGIA). As you know this is a unique business that is dedicated to helping families achieve their goals. Offering the right product(s) to the right people in a professional and transparent manner is important in helping you and the company be successful. As you build strong relationships with your clients and look to address their unique financial needs, remember that you are in business for yourself but you are not by yourself. There is a team of individuals ready to assist and answer your questions.

It's important to understand the requirements of local, state and federal regulations, and it is up to you to familiarize yourself with any and all rules that may apply to you being a licensed insurance agent conducting your business. You should also be mindful of any requirements in your contracting with product providers. Maintaining high ethical standards can help you not only exceed client expectations, but can also help you protect your business from potential client complaints.

Thank you for your commitment in making the company a unique and successful organization, and for adhering to the highest standards in helping families achieve their dreams.

Thomas F. Dempsey

Tom Dempsey

WFGIA is committed to the following ethical principles in the sale of insurance products:

- Conducting business according to high standards of honesty and fairness and to treat clients as we would expect to be treated
- Providing competent and client-focused sales and service
- Competing fairly
- Providing advertising and sales material with content that is clear, honest and fair
- Handling client complaints and disputes fairly and promptly
- Maintaining a system of supervision and review that is reasonably designed to achieve these goals

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Ethical Sales Practice Guidelines

As a licensed WFGIA insurance agent, you have certain legal, ethical and professional responsibilities to fulfill every day, with every client. Every client has unique needs, but by maintaining a structured and consistent ethical approach in servicing your clients and prospects you are much more likely to be successful in the long-term. In addition to the WFGIA Agent Insurance Guide, agents should also check with product providers to see if they have any specific policies and procedures that must be followed in the sale of their products or services.

Before You Make a Sales Call or Schedule a Meeting with a Client

- Do your homework. Educate yourself about your responsibilities as an insurance professional and make doing business the right way a priority.
- Offer only products that you are authorized to distribute. Make sure you are properly licensed and appointed in the right state(s). Some states require special training in annuities, indexed products, and Long Term Care (LTC) products before an agent may sell such products.
- Do not use professional designations that indicate or imply that you have special certification or training in such a way that it may mislead individuals.
- Know your product and only offer products where you have sufficient knowledge, training and experience.
- Check the National, State and company-specific Do Not Call Lists before making solicitation calls.

When Meeting a Client or Prospect

- Properly identity yourself as a life insurance agent and your affiliation with WFGIA.

Know the Client

- Knowing who your client is and his/her needs is important. You should always follow a thorough fact-finding and needs analysis process to understand the client's insurable needs and financial goals and objectives.

Presentations and Proposals

- Put the needs of the client first. Base any recommendations on the client's circumstances and objectives and maintain notes and other documentation supporting your recommendation(s).
- Use only WFGIA approved sales material.
- Use words, terms, and symbols that accurately describe the features, benefits and limitations of the products you are licensed and appointed to sell. Avoid incomplete, misleading statements, or prohibited words.
- Disclose all relevant information about a product or service that you recommend accurately and comprehensively.
- Explain a product's features, benefits, loads, fees, limitations, and any charges in a balanced and fair way.
- Fully explain the hypothetical nature of illustrations. Point out their assumptions and limitations. Be sure to explain guaranteed and non-guaranteed elements. Do not imply a guarantee or a product feature unless it is specifically built into the product that the client chooses.
- Policy replacements should only be recommended after a careful, thorough, and well-documented, analysis has been done by an agent comparing short- and long-term advantages and disadvantages to the client. Be familiar with the replacement requirements where you are licensed and conduct business.

During a Meeting

- Reconfirm the client's reason(s) for purchasing the product. Reconfirm the financial objective the product addresses and the explicit insurance need it satisfies.
- Provide the client with a copy of any sales illustration(s) you present. Have the client sign a copy of the illustration that can be kept in your file.
- Provide the client with any state mandated notices, buyer guides, and other required notices or receipts at the appropriate time during the sales process.

- Review with the client any state mandated, or otherwise required, optional disclosure forms verifying that you have discussed all relevant information with the client. Obtain client signatures where appropriate.
- Make sure the client carefully and thoroughly answers all questions on the application. If you must record answers, the best practice is to read each question out loud to the client and make a note in your client notes to this effect.
- Always instruct the client to make the check payable to the life insurance company. Do not accept checks made payable to you or to WFGIA. Checks made payable to WFGIA or the agent must be returned to the client.

Following Your Meeting

- Promptly submit the policy application, replacement forms, if applicable, and premium to the insurance company.
- Provide copies of the application and replacement forms to the client.
- Deliver the policy promptly in person to the client and review the main features and terms of the policy again with the client. Obtain a signed policy delivery receipt and a signed copy of any required amendments, if applicable. Keep copies of the documents for your records and forward originals to the insurance company. If it is necessary to mail the policy to the owner, you should send it certified mail, return receipt requested. Once you receive the receipt back from the post office, send a copy to the insurance company.
- As a best practice, you should consider following up with the client with a letter or communication thanking the client for their purchase and restating the client's reasons for buying the policy and the needs and objectives it helps meet.
- Maintain a complete file for each client and be aware of any compliance-related policies and procedures of WFGIA and any insurance companies with which you are appointed.
- Always try to respond to clients in a timely and professional manner. Provide any written complaints or grievances immediately to your Senior Marketing Director (SMD) and/or WFGIA Compliance as soon as you receive them.

Know Your Limits: Tax & Legal Advice

- Generally, an agent may comment upon the tax treatment or features of the insurance product that is being offered. But, offering tax or legal advice is beyond your scope as a WFGIA agent. WFGIA does not give tax or legal advice and you are not authorized to provide such advice on behalf of WFGIA. WFGIA always recommends that individuals consult a tax and/or legal specialist that can sufficiently understand a client's unique tax or legal requirements.

Policy Delivery: Why It's Important

- Acceptance of the policy or contract is one of the last acts that must occur, along with payment of the premium, in order for the policy or contract to be placed in-force. All policies include a "right to examine" (also called "right to cancel" or "free look") provision clause that allows the client a period of time (usually 10-30 days) to examine the policy and, if they choose, return the policy for a full refund.
- Prompt delivery of the policy, along with obtaining a delivery receipt, is critical to allow the client his/her right to examine the policy.
- Delivery in person is an opportunity to review the product features with the client and build the relationship.
- Deliver the policy to the client in the state the product was solicited and written.
- In any subsequent complaint or dispute over the policy, proof of delivery may be a key factor in establishing whether the client was afforded the "right to examine" and failed to exercise it.

Basing the Sale on Client's Needs and Financial Objectives

As a WFGIA agent, it is your professional and ethical responsibility to know your clients. You need to put clients first. Understanding the needs of the client and his/her unique circumstances is important. Only after understanding your client's circumstances and needs should you begin to discuss how an appropriate product may work in meeting those needs and objectives.

- Developing the relationship with the client and focusing on the client's needs will help develop better expectations, greater understanding and trust, lead to higher persistency and renewals, and establish the framework from which you can continue to build a successful practice.

Some of the factors to consider as you get to know your client include:

- Understanding the client's financial status and circumstances including age, occupation, marital status, dependents, annual gross income, future earnings expectations, income and estate tax status, discretionary income, assets, liabilities, budget or expenses, value of portfolio, net worth, emergency reserves, retirement savings, etc.
- Understanding the client's insurance needs including amount(s) of any existing insurance, health status, amount of death benefit protection, cash value for estate liquidity, mortgage, family income, education, business planning, retirement, accelerated death benefits, etc.
- Determining the client's investment objective, e.g., income, tax deferral, accumulation, retirement savings, etc.
- What is the client's time horizon for investment, when does the client expect to need access to the investment, e.g., immediately, 1-3 years, 3-5 years, greater than 5 years, etc.
- Determining the client's risk tolerance, how much risk the client is willing to accept with his/her investment. For clients who are seeking capital appreciation or growth, an equity indexed annuity may not be the appropriate investment vehicle.
- Ensuring the premium is affordable for the client. Whether the client can afford the required or planned premium and whether he/she has sufficient discretionary income or assets to sustain payments over the long term without the policy lapsing.

Fact Finding

While working with clients you will gather a lot of information about them. Agents are required to document and record clients' responses and maintain such information in your client files. Agents should make note of the clients' needs, products discussed, products recommended, the basis for any recommendation(s), and whether or not the recommendation was followed.

Selling to Senior Adults

Communicating with Seniors

Regulators are increasingly concerned about the way financial services professionals communicate and interact with senior prospects or clients. When an agent works with a senior client they should:

- Provide ample opportunity to ask questions about the products discussed.
- Avoid using industry jargon. Instead, use plain language and marketing materials with large font, if available.
- Test the client's understanding of the proposed solution.
- Use communications that offer a fair evaluation of the product(s) features, benefits, limitations, fees, expenses and risks. Communication must be based on the merits of a product or service, company or agent, and not on dire predictions about the future, unwarranted claims about the need to act quickly, or any other methods of creating a false sense of urgency.
- Document your conversations in the event there are problems with lack of recall or to help resolve any misunderstandings/misinterpretations.

High Pressure Sales Tactics/Creating Sense of Urgency

All communications must be fair and balanced in nature and based on principals of good faith and fair dealing. Communications should not create a sense of urgency or pressure to take action with respect to a product or service. Agents may not employ any marketing that may induce the purchase of a product or service through force, threat, fright or undue pressure. Terms or phrases such as the following are generally not acceptable and should not be used with seniors:

- Take advantage of this offer today or it may expire

- Limited time offer
- Don't delay
- Don't become a statistic
- Act now

Suitability

Determining the appropriateness of a product or service is a regulatory requirement and requires a careful analysis to determine the client's financial needs, investment goals/objective, risk tolerance, and time horizon.

When doing business with senior clients, you have a heightened obligation to make sure that the client fully understands all aspects of the product being recommended. While you should always know all of the essential facts related to every client prior to any sale that you make, when making sales to seniors you should take extra care to:

- Clearly explain that you are an insurance agent and that you are soliciting a life insurance policy or annuity. Try to avoid using any confusing terms or misleading names or titles.
- Not use any professional designations that indicate or imply that you have special training or certification in such a way as to mislead any person.
- Determine a senior's needs, objectives and risk tolerance as well as the appropriateness of the product for the circumstances. A senior's advanced age and special circumstances are significant factors in making these determinations.
- Understand the client's expenses, e.g., mortgage, medical expenses, college expenses, etc.
- Determine client's liquidity needs.
- Avoid high-pressure selling tactics. Some seniors may be vulnerable and easily frightened, intimidated, or confused. While it is important to help such a client identify and meet real needs, take extra care not to imply, suggest, or cause alarm or fright.
- Avoid using statistics or facts that will mislead, confuse, or give false impressions.
- Reconsider the sale if the senior seems confused or unable to understand it.
- Avoid any appearance of "overselling" or "stacking." Many agents have been investigated and fined, suspended, or sued for selling more insurance than a senior needs or can afford. Protect yourself by being conservative when determining the reasons, needs, and suitability of the purchase and make careful documentation.
- Maintain good documentation and notes. This could include having the client sign-off on copies of notes and other types of meeting summaries.

You must ensure that a client fully understands the impacts of any transaction executed on his/her behalf. It is important for you to ensure the client fully understands the potential risks and ramifications of a financial decision.

Diminished Capacity

One of the most troubling and sensitive issues agents face in dealing with seniors involves clients who exhibit signs of diminished mental capacity. In these situations, a client may no longer be capable of making his/her own financial decisions.

Agents should be aware of the warning signs that may indicate diminished mental capacity and learn to recognize the potential signs of a client who is impaired due to a physical, mental or sensory disability. If a client exhibits any of the following behaviors or characteristics, or any behaviors or characteristics that raise concerns, agents should contact the Compliance Department or SMD for guidance. Clients with diminished capacity may exhibit the following behaviors, which indicate their inability to properly weigh financial decisions (Please note that this is not an exhaustive list):

- The client has difficulty communicating with you.
- The client appears unable to process simple concepts. His/her questions and comments seem disconnected or contradictory.
- The client's spouse/partner is answering questions for him/her.
- The client appears unable to appreciate the consequences of decisions.
- The client does not remember details from prior discussions including requests to process transactions.

- The client's physical appearance suggests an inability to care for himself/herself.
- The clients seems confused, nervous or afraid.
- The client is disoriented with his/her surroundings or social setting. The client's home seems unusually disorderly, e.g. there are piles of unopened mail.
- The client is making decisions that are inconsistent with his/her current long-term goals or commitments.
- The client cannot manage his/her own checkbook, financial affairs or other personal matters.
- The client appears to be concerned or confused about missing funds in his/her account.

Suspected Abuse or Financial Exploitation

Another issue that agents must be aware of is the potential for financial, mental or physical abuse of a senior client. Financial abuse is the unauthorized use or illegal taking of funds or property by a relative, a caregiver, or an individual in a position of trust. If a client exhibits any of the following behaviors or characteristics, or any other behaviors that raise concerns, the agents should contact his/her SMD or Compliance for guidance.

Red flags of suspected abuse include, but are not limited to:

- Client gives power of attorney to someone that appears highly inappropriate
- Client indicates that he/she does not have control over or access to his/her money
- Client does not appear to have knowledge of transactions or requests that were supposedly initiated on his/her behalf
- Client's mailing address has been changed to an unexplained address
- An individual requests information about the client's account(s) without the client's consent
- Client appears to be isolated from family and friends
- A sudden, unusual change in the client's transaction patterns, e.g., unplanned distributions/withdrawals, wires to a third party, etc.
- Inability for you to speak directly to the client, despite multiple attempts

State Specific Requirements

California

<u>Senior Consumer Protection and Suitability Law</u>

The California Senior Protection and Suitability law for life and annuities sets forth guidelines for marketing to seniors in the state. These guidelines are noted below.

<u>Meeting in a Senior Client's Residence</u>

When setting up an appointment with a senior prospect, California requires the California Senior Sales Presentation Disclosure form to be provided to anyone age 65 or older at least 24 hours and no more than 14 days before meeting in the senior's home. As a result, you should schedule the appointment to allow time for the notice to arrive. You are required to provide the disclosure to all potential and existing California senior clients and retain a copy in the respective client file to evidence it was provided.

California law also requires an agent to do the following when visiting a senior's residence:

- Immediately after greeting and before any other statements or questions, state that the purpose of the visit is to talk about insurance or gather specific information for a follow up visit.
- State the name and titles of all person(s) arriving at the senior's residence and the name of the insurance agency represented.
- Each person attending the meeting must provide the senior with a business card, which states their name, business address, telephone number and license number.
- If and when asked to leave the residence by the senior, immediately end the discussion and leave.

If the senior has an existing insurance relationship with you and requests a meeting with you the same day, you must deliver the notice the same day, as long as the delivery is prior to the actual meeting. If the meeting with a senior takes place in a location other than his/her residence, the Disclosure requirements do not apply. You should document in their client file meeting notes that include the location of the meeting.

Annuities: Medi-Cal Eligibility

California law also prohibits the sale of an annuity if the senior's purpose in purchasing the annuity contract is to affect his/her Medi-Cal eligibility and the following are true:

- Senior's assets are equal to or less than the community spouse resource allowance established annually
- Senior would otherwise qualify for Medi-Cal
- Senior's purpose in purchasing the annuity contract is to affect Medi-Cal eligibility and after the purchase the senior or the seniors' spouse would not qualify for Medi-Cal

Sales of Annuities and other Life Insurance Products to Veterans

Effective October 18, 2018, the Department of Veterans Affairs (VA) amended its regulations on net-worth eligibility requirements for needs-based veterans pensions, including the eligibility requirements to qualify for the Veterans Aid and Attendance Program. The amended regulations of the Department of Veterans Affairs can be found at this link.

The relevant California laws connected to the new regulations are as follows:

- **Insurance Code section 785.5:** Procedural Safeguards Required to Ensure that Insurance Agents and Brokers Have No Financial Incentive to Refer Seniors to Veterans Benefit Programs Offered through the Government.
- **Insurance Code section 787:** Limitations on Advertisements
- **Civil Code section 1770(a) (25):** Failure to Provide Required Disclosures Constitutes Unfair Method of Competition

New York

New York Regulation 187: A Suitability and Best Interests in Life Insurance and Annuity Transactions[1]

Regulation 187 imposes a best interest standard on insurers and financial professionals involved in any transaction or recommendation with respect to policies delivered or issued for delivery in New York. This includes in-force policies as well as proposed policies. Any transaction or recommendation made on these policies/proposed policies must be in the best interest of the client. Prior to the recommendation of a sales transaction, a financial professional shall make reasonable efforts to collect the client's suitability information.

A financial professional must not use a title or designation of financial planner, financial advisor or similar title unless the financial professional is properly licensed or certified and actually provides securities or other non-insurance financial services. A financial professional may state or imply that a sales recommendation is a component of a financial plan, however a financial professional shall not state or imply to the client that a recommendation to enter into a sales transaction is comprehensive financial planning, comprehensive financial advice, investment management or related services unless the financial professional has a specific certification or professional designation in that area.

If a financial professional is authorized to offer different versions of products, one with a fee-based structure and one with a commission-based structure, a comparison form must be provided to the client. This form must show the differences between the products.

This applies to every financial professional who materially participated in the making of a recommendation and received compensation as a result of the sales transaction, regardless if the financial professional had direct contact with the client or not.

Making a Recommendation

A financial professional may weigh multiple factors that are relevant to the best interests of the client, including but not limited to, the benefits provided by the annuity or insurance product, the cost of the product, the financial strength of the insurer and other factors that differentiate products or insurers.

1 Annuity best interest standards are effective a of on August 1, 2019 and life insurance best interest standards go in effect on February 1, 2020.

Sales Transactions

The financial professional must act in the best interest of the client when recommending a sales transaction. This means that the recommendation should be based on an evaluation of the relevant suitability information of the client.

At the time of a recommendation, a financial professional must:

- Disclose to the client in a reasonable summary format all of the relevant suitability considerations and product information, both favorable and unfavorable, that provide the basis for any recommendations,
- Document the basis for any recommendation made and the facts and analysis to support that recommendation,
- Document, if applicable, the client's refusal to provide suitability information, and
- Document that a sales transaction is not recommended if a client decides to enter into a transaction that is not based on the financial professional's recommendation.
- The financial professional must be adequately trained in order to make a recommendation.

Financial professionals act in the best interest of the client when:

- That the recommendation is based on an evaluation of the relevant suitability information of the client, and it reflects the care, skill, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use under the circumstances then prevailing. The financial professional's compensation or other incentive is permitted as long as it does not influence the recommendation.
- Only the interests of the client are considered. The financial professional may not consider their own financial interests.
- The sales transaction must be suitable for the client.
- There is reasonable basis to believe that:
    - The client has been reasonably informed of the various features of the policy, as well as possible consequences of the sales transaction, both favorable and unfavorable, such as:
        - Potential surrender period and surrender charge,
        - Any secondary guarantee period,
        - Equity-index features,
        - Availability of cash value,
        - Potential tax implications should the client sell, modify, surrender, lapse or annuitize the policy,
        - Death benefit,
        - Mortality and expense fees,
        - Cost of insurance charges,
        - Investment advisory fees,
        - Policy exclusion or restrictions,
        - Potential charges for and features of riders,
        - Limitations on interest returns,
        - Guaranteed interest rates,
        - Insurance and investment components,
        - Market risk,
        - Any differences in features among fee-based and commission-based versions of the policy, and the manner in which the financial professional is compensated for the sale and servicing of the policy.

In addition, when recommending a sales transaction, the financial professional must also consider if:

- The client would benefit from certain features of the policy, such as tax-deferred growth of any cash values, annuitization or death or living benefit.

- The particular policy as a whole, the underlying subaccounts to which funds are allocated at the time of the sales transaction, and riders and similar product enhancements, if any, are suitable.
- The client has the financial ability to meet the financial commitments under the policy.
- The financial professional has adequate knowledge to make the recommendation.

In-force transactions

A recommendation for an in-force transaction shall also reflect only the interests of the client, and while the financial professional's receipt of compensation is permitted, this shall not influence the recommendation made.

In recommending an in-force transaction, the financial professional shall act in the best interest of the client and have a reasonable basis to believe that the client has been reasonably informed of the relevant features of the policy and potential consequences of the in-force transaction, both favorable and non-favorable.

A financial professional must not make a recommendation to a client to enter into an in-force transaction about which the financial professional has inadequate knowledge. The financial professional must be adequately trained in order to make a recommendation.

Proposed Replacement

The financial professional should provide the client with all relevant policy information that is necessary for the evaluation of the replacement. The replacement must be suitable and take into consideration:

- Whether the client will incur a surrender charge, increased premium or fees, decreased coverage duration, decreased death benefit or income amount, adverse change in health rating, be subject to the commencement of a new surrender period, lose existing benefits (such as death, living or other contractual benefits), be subject to tax implications if the client surrenders or borrows from the policy, or be subject to increased fees, investment advisory fees, premium loads or charges for riders and similar product enhancements;
- Whether the client would benefit from policy enhancements and improvements, such as a decreased premium or fees, increased coverage duration, increased death benefit or income amount; and
- Whether the client has had another policy replacement, in particular within the preceding 36 months.

New York Regulation: 194 Disclosure of compensation amounts

Regulation 194 requires a financial professional to provide in all cases a mandatory initial disclosure of compensation amounts to a purchaser, but only if the purchaser asks for that information. This includes any person required to be licensed to sell, solicit or negotiate insurance and applies to all types of direct insurance, including life insurance and annuities.

A financial professional selling an insurance contract shall provide the required compensation disclosure to the client orally, or in writing, at or prior to the time of application for the insurance contract.

Solicitation of Military Personnel

Guidelines for Solicitation of and Sales to Military Personnel

The Federal Government and several states have enacted laws and regulations regarding sales to military personnel, including the Military Personnel Financial Services Protection Act of 2006 and state variations of the NAIC Military Sales Practices Model Regulation, which aims to curb abusive sales practices targeted at members of the military. Recently, state and federal regulators have taken action against insurance companies for their roles in allegedly abusive sales practices in the sale of life insurance to military personnel.

Who is Considered Military Personnel?

Military personnel refers to an active duty service member of the United States Armed Forces, i.e. all components of the Army, Navy, Air Force, Marine Corps and Coast Guard. "Active Duty" means full-time duty in the active U.S. military service and includes members of the reserve component, including National Guard and Reserve, while serving under published orders for active duty or full-time training. It does not include members of the reserve component who are performing active duty or active duty for training under military calls or orders specifying periods less than 31 calendar days.

You must adhere to the following sales practices if you solicit and sale life insurance to military personnel:

Prohibited Sales Practices

- Placement of an advertisement that is limited to military personnel only or refers to military personnel
- Placement of any advertising materials in any media that is directed primarily toward military personnel, which includes base newsletters, military newspapers or periodicals, or publications oriented primarily toward military personnel
- Having a seminar or conduct a presentation on a military installation
- Conducting any activity on any military installation including recruiting, sales presentations or solicitations
- Conducting any seminars or public appearances or engaging in any speaking engagements on any military installation
- Targeting military personnel for purposes of sales, solicitations, referrals or any other reasons.

Allowable Sales Practices

- Placement of a WFG- or WFGIA-approved advertisement in a newspaper or publication that has a public circulation, which may include military personnel.
- Conducting a sales presentation to a military person at a WFG office or public location.

Life Insurance as a Tool to Meet the Needs of Clients

Identify the Need for Death Benefit Protection

The need for death benefit protection is primary in most sales of life insurance. Most clients buy life insurance because they have a need for death benefit protection. Other needs such as accumulating cash value, investment purposes or receiving a favorable tax treatment are usually secondary considerations. It is important not only to identify the client's insurable needs and financial objectives (usually including a need for death benefit protection), but to also document them. If a client's lawyer or accountant is involved in discussions or determining the needs of the client, it is important to document this fact and any discussions that you may participate in with a client's advisors.

Generally, insurance death benefits can address situations or needs such as:

- Burial expenses
- Income continuation for a spouse or family members
- College funding for surviving children
- Retirement funds for surviving spouse
- Asset protection
- Debt coverage
- Accelerated death benefits in the event of terminal illness
- Business planning
- Estate taxes and estate planning

Agents should always help clients identify their death benefit needs.

Determining the Death Benefit Need

A good starting point is to review the factors listed above and then consider what benefits may be available to the client from existing sources, such as, individual or group policies, annuities, and employee benefit plans. You may also want to recommend to a client a range of possible face values or death benefits.

Identify and Quantify any Goals or Needs for Cash Value

Help clients determine and quantify any pre-death goals or contingent needs for the life insurance policy's cash value.

These could include funding a child's education, supplementing retirement funds, funding a business, providing tax-deferred income, or other long-term goals or needs.

If you illustrate or recommend partial withdrawals or policy loans to help meet these needs, make sure the client understands all of the associated limitations, costs, policy charges along with the effect on the net death benefit. Remember that any policy loan values and fees/charges will reduce the amount of the benefit.

Long Term Care Insurance as a Tool to Meet the Needs of Clients

Long Term Care (LTC) Insurance policies may not be suitable for everyone. While for some individuals it may be an affordable and attractive form of insurance, there may be others for whom the cost is too great or the benefits may be insufficient to meet their needs. As an agent helping your client determine their needs and financial objectives, you should make sure that you help the client carefully examine their needs and their available resources. If the client cannot afford a policy or the policy would cause financial hardship, then the client is probably not a good candidate for long term care insurance.

Whether a person should buy a policy may depend on his or her:

- Age
- Overall retirement objectives
- Health status
- Income and assets

If a person's only source of income is a Social Security benefit, he or she is likely not a good candidate for LTC insurance. As well, people that have trouble meeting their basic needs such as utilities, food or medicine are likely not good candidates.

On the other hand, people with significant assets may want to buy a long term care insurance policy to preserve those assets. Others may choose to buy LTC insurance to pay for their own care and not burden others with nursing home bills.

Whatever the reason, people should not buy a LTC policy if they cannot afford the premium or cannot reasonably predict that they will be able to afford the premium for the rest of their lives.

The NAIC Shopper's Guide to Long Term Care Insurance contains fact finding tools that may assist you in assessing a clients' insurable needs or financial objectives.

Long Term Care Insurance Accelerated Death Benefit Riders

Using a rider attached to a life insurance policy that accelerates death benefits to cover long-term care expenses is another common approach to help clients meet their insurable needs. These riders are subject to many of the same laws and regulations that apply to "stand-alone" LTC policies. In some states, this includes:

- Specific LTC replacement regulations
- Requiring a health and/or LTC license and possibly special continuing education requirements
- Requiring companies and agents to meet HIPAA privacy requirements
- Special suitability requirements and Shopper's Guides
- Special advertising laws and regulations, including the requirement that all LTC advertising be filed and approved in most states

Make sure you are aware of all of the LTC laws and regulations in each state you write business.

Annuities as a Tool to Meet the Needs of Clients

Determine the Client's Financial Objectives

If you sell annuities, you are well acquainted with the insurable needs and financial objectives they can serve. For example, deferred annuities may be appropriate for clients seeking tax-deferred asset accumulation for retirement or other long-term goals, or individuals needing annuitized payments at some future date. Many deferred annuities also provide certain insurance benefits such as guaranteed or enhanced death benefits and nursing home waivers. Immediate annuities may be appropriate for clients needing an immediate stream of payments lasting for a certain number of years or for their lifetime.

An annuity may not be appropriate for someone who doesn't plan to hold on to it for long-term needs because of the product design and tax treatment. Many deferred annuity products contain substantial surrender or withdrawal charges for several years, or they are designed to give the best value or benefit to the client after many years, i.e. at maturity date.

Tax treatment also favors long-term ownership. Distributions may be subject to income tax and a 10 percent federal income tax penalty on earnings if taken prior to age 59½ for situations other than death, disability, and certain periodic distributions based on life expectancy.

It's likely beneficial to help clients consider an annuity as money set aside for financial goals envisioned beyond age 59 ½. As such, clients should have sufficient income, assets and financial resources to cover current expenses as well as foreseeable short and intermediate-term needs.

A client's participation in a qualified retirement plan will affect his or her need for non-qualified deferred annuity. Most people are better off contributing the maximum amount permitted under their qualified retirement plans before considering a non-qualified annuity. Qualified plans include 401(k), 403(b), profit-sharing, Individual Retirement Accounts, or similar plans.

Many states have adopted the National Association of Insurance Commissioners (NAIC) suitability of annuity transactions model regulation. Three primary requirements to review when recommending annuities are:

- Recommendations to buy or exchange an annuity must be appropriate
- Sales of annuities must be supervised to ensure the recommendations are appropriate
- Records must be maintained

Calculate the Need for Annuities

Agents should make recommendations to purchase annuities based upon relevant information obtained from the client. Such information includes:

- Financial status
- Investment time horizon
- Risk tolerance
- Tax status
- Financial objectives

Help the clients determine the amount of "nest egg" they want or retirement income needed to sustain a desired standard of living. To do so you may also consider relevant information such as annual income, net worth, liquidity needs, etc. Generally, most retirees need income from all sources of at least two-thirds of their pre-retirement income to maintain their planned standard of living. While there is no single formula, below are some questions that clients should consider in determining future financial needs. If the client refuses to provide some or all of the information you request, then you should indicate on the file that the client refused to provide the information.

Retirement Goals

What type of lifestyle does the client plan to adopt during retirement? For example, does the client want to travel? Buy a smaller home? Pursue hobbies or special interests? Provide financial support to family or fund a grandchild's college education?

Estimate Financial Situation at Desired Retirement Age

Does the client expect to have lower living expenses during retirement? Factor in all sources of income, including Social Security, pensions and other benefits, along with assets, expenses, and liabilities, including outstanding debt, mortgage payments and projected income tax bracket.

Determine the Additional Monthly Income Desired from the Annuity

Calculate additional monthly income needed to fund the client's projections. Based on this amount, determine how much the client would like to have accumulated in a deferred annuity by the projected retirement date.

Rule Out Certain Products

Once you've determined the client's need for life insurance or an annuity, there are a few other steps needed before selecting a particular product type, face amount or premium amount. Understanding the client's circumstances allows you to "rule out" certain types, levels, or amounts of product that may be inappropriate.

Determine What's Affordable

Clients should determine how much disposable or discretionary income they can realistically dedicate to the expected or required premium payments.

Put the Client First

Does the client have an adequate safety net? Generally, most households should maintain a cash fund of at least three months' salary or living expenses for unforeseen financial emergencies. The client should also have separate savings or investments that are accessible for short or mid-term financial goals, such as a down payment for a home or college tuition. By including these factors in an overall review of the client's situation helps in determining the amount of disposable income a client may have available for deferred annuities or to pay for a life insurance policy.

Buying a Qualified Deferred Annuity

Agents who recommend that a client rollover his/her retirement plan or IRA into a qualified deferred annuity are subject to the Fiduciary standard set forth in the Department of Labor's Fiduciary rule. Agents acting as a fiduciary are required to follow these standards:

- Place the interest of the client first
- Make full and fair disclosure to the client of all material facts and when a conflict of interest or potential conflict of interest exist
- Provide advice that is suitable to the client's needs, goals, objectives and personal circumstances

To assist agents in meeting the requirements noted above, WFGIA policy requires agents to provide clients with the Fixed Indexed Annuity and Fixed Annuity Disclosure Form that discloses all conflicts of interests to the client, and complete the TFN Agent Qualified Recommendation Form Agent documents how the annuity transaction is in the best interest of the client.

Buying a Non-Qualified Deferred Annuity

Here are some questions that are helpful for clients to ask themselves before buying a non-qualified deferred annuity.

- Am I buying the annuity primarily for long-term needs (e.g., retirement)?
- Do I have enough money set aside to cover emergencies and short-term savings needs?
- Will I have other funds available to cover important intermediate financial goals, such as a down payment for a home or college tuition?
- Am I contributing the maximum amount to the qualified retirement plans available to me?
- Can I afford to delay withdrawals until at least 59½?
- Is deferral of income tax on the annuity's earnings important to me?

- Do I expect to be in a lower income tax bracket after retirement?
- When paid out, annuity earnings are taxed as ordinary income, not capital gains. Does this fit my tax strategy?
- Does it fit my tax strategy that the annuity death benefit is subject to federal income tax as opposed to life insurance policy death benefits, which generally are not?

If a client answers "yes" to most of the questions above, it may indicate that a deferred annuity may be an appropriate part of the client's portfolio and may be worth further review and consideration.

Special Considerations for Indexed Annuities and Indexed Life Insurance

"Indexed" annuity and indexed life insurance products are those that credit non-guaranteed interest rates based on a formula tied to data or an index outside of the contract or policy. Important points to keep in mind if you sell indexed products include:

- While non-guaranteed interest may be credited based on an external index, these products are not "investment" products and may not be sold as such
- Gather information such as financial status, tax status, and financial objectives to help determine if an indexed product will meet the client's financial goals and objectives, but do not give tax or legal advice
- Due, in part, to the unique nature of indexed products, the client must be provided with the required disclosures, as required by the product manufacturer, which would describe things such as:
    - Surrender charges and how the cash surrender value is calculated
    - How the market value adjustment (if any) is calculated
    - How interest is calculated and credited
    - Bonus interest and/or premium bonuses
    - Withdrawal provisions
    - Minimum guaranteed surrender values
    - Annuitization payout options
    - Any additional riders
    - How the death benefit is calculated

The client must acknowledge receipt of this disclosure.

Privacy Regulations

Protecting Financial Information

In November 1999, the Financial Services Modernization Act, also referred to as the Gramm-Leach-Bliley Act (GLBA) became law. Title V of GLBA contains certain provisions ("Privacy provisions") that limit the way in which financial institutions, including insurance companies, can use information they obtain from consumers. Enforcement of the Privacy Provisions is left to the "functional regulator" of the various financial institutions. For example, the Securities and Exchange Commission (SEC) created Regulation S-P to enforce the privacy provisions for brokers and dealers, and the National Association of Insurance Commissions (NAIC) adopted a model "privacy" regulation (NAIC Model) and a model "safeguarding of information" regulation, which have been adopted in most states. The NAIC Models enforce various provisions of the GLBA for insurance companies.

Among other things, the NAIC Models require that a licensee give initial and annual notices to consumers regarding the licensee's use of "non-public personal financial information" about consumers. An insurance agent does not need to provide the notices as long as an insurance company with which the agent is appointed gives the notices. The agent must enter into a contract with the insurance company that prohibits the agent from disclosing or using consumer nonpublic personal financial information unless the disclosure or use is in connection with the agent's performance under the contract and as permitted by the regulation. Furthermore, the agent must implement a documented information security program to safeguard nonpublic personal information in his/her possession. This security program should include administrative, technical, and physical safeguards for the protection of client information and be appropriate to the size and complexity of the agent's business.

Nonpublic personal financial information is virtually any information—other than nonpublic personal health information—about a consumer that a licensee obtains. For example, nonpublic personal financial information includes a consumer's gender, age, phone, and Social Security number, as well as information that more obviously seems "financial," such as information about a consumer's income or assets.

Consumers' Rights

Recently, states have been enacting additional laws and regulations directed at limiting companies' abilities to use and disclose an individual's personal information (PI) without the individual's consent, while providing individuals more control over how their PI is used, shared, and retained. California, for example, enacted the California Consumer Privacy Act (CCPA) in June 2018 that provides California residents a variety of rights regarding the PI they have shared with companies. Many of these rights are similar to those already available under other privacy and security laws, and include the following:

- The right to know the categories of PI being collected and sold about them, and to whom
- The right to access their PI and have it provided to them in a portable format
- The right to delete PI collected from them (subject to certain exceptions)
- The right to opt out of the "sale" of their PI
- The right to be free from discrimination

As an insurance agent, you are subject to such state laws, including the CCPA. You may only use, disclose or share PI you collect in the course and scope of providing services as an agent and as necessary to provide such services, or as specifically authorized in writing by the individual whose PI you have collected. In addition to the restrictions on the use, sharing and disclosure of PI, you must follow the procedures WFGIA has established to help respond to consumers exercising their rights under these types of laws. Accordingly, as an agent, you agree that you are subject to the terms and conditions of WFGIA's Data Protection Policies Supplement to this Agent Insurance Guide (Data Protection Supplement) and Attachment A (page 44).

Protecting Health Information

The NAIC Model also prohibits insurance companies, agents, TPAs, etc., from disclosing "nonpublic personal health information" about a consumer to anyone, unless the consumer authorizes the disclosure or certain provisions of the regulation permit the disclosure.

Nonpublic personal health information is information created by or derived from a health care provider or consumer, and obtained by a licensee that relates to:

- The past, present, or future physical, mental, or behavioral health of an individual
- Health care provided to an individual
- Payment for health care provided to an individual

Additionally, the federal government protects consumers' health information under the Health Insurance Portability and Accountability Act (HIPAA). HIPAA's Privacy Rule became effective April 14, 2003. Under HIPAA, the Department of Health and Human Services (HHS) created guidelines to protect the confidentiality and security of Protected Health Information (PHI). HIPAA applies to medical providers and health plans but does not directly apply to life and annuity operations. The rules for "health plan" operations govern a range of subjects, including who may have access to medical information, how it may be obtained, and when it may be disclosed.

Do You Sell Health Plans?

The definition of "health plan" includes the following types of insurance coverage: specified disease, long-term care, hospitalization, major medical as well as some riders that pay for medical costs such as a long-term care rider. Agents who sell health plans are considered "Business Associates" under HIPAA because they collect and receive PHI regarding clients. Business Associates must comply with the HIPAA Privacy Rule.

If you sell health plans, HIPAA requires you to set up policies and procedures that limit unauthorized access to private information. This includes password-protecting computers, locking drawers and filing cabinets where PHI is stored, and ensuring that faxes, copies and other papers containing PHI are expeditiously collected and distributed to appropriate individuals and are appropriately disposed of, such as by secure shredding.

When meeting "face-to-face" with clients, HIPAA has no restrictions on the types of products you may discuss. Also, HIPAA's marketing provisions expressly allow insurers and agents to inform clients of policy upgrades, and enhancements to health related products. However, HIPAA prohibits health plans and their agents from using PHI for cross-marketing purposes without an individual's authorization. The information in the application for health plans is considered PHI and cannot be used to market other products. Please note that information that you did not create or receive in your capacity as an agent is not considered to be PHI. You are allowed to maintain a card file or computer list of clients. This information should be separate from any files that you might have that contain applications and other documents that have PHI.

The health plan must provide a HIPAA "Notice of Health Information Practices" at the time of enrollment in the health plan and must remind policyholders that this notice is available at least once every three years. The notice explains policyholder rights and the health plan responsibilities under HIPAA.

Even if You Don't Sell Health Plans

Even in situations where you are taking an application for life insurance or other lines that are not included in the definition of "health plan" under HIPAA, it is very likely that you will be required to get a special "HIPAA compliant" authorization signed by the applicant. This is because insurance companies often must request medical information from doctors, hospitals, and other health care providers. Those providers are subject to HIPAA and cannot provide requested medical information unless they are presented with a special HIPAA compliant authorization. Similar authorizations may need to be obtained at the time any claim is submitted.

Licensing and Appointments

Insurance agents are expected to fulfill certain legal, professional, and ethical duties for clients and the firms that agents represent. The company's goal is to have agents who are properly qualified and adequately trained.

What's Required

One of your most important responsibilities is to be legally and properly authorized to sell insurance products. Agent licensing serves two important functions:

- It authorizes you to sell certain products in certain jurisdictions.
- It protects the consumer by requiring you to obey the state's insurance laws and complete a prescribed amount of insurance education.

Insurance agent licensing and appointments are governed by the insurance rules of each state. If you sell variable products, you must also be properly licensed for securities and be a registered representative of Transamerica Financial Advisors, Inc. (TFA) to sell the product.

Have the Right Kind of Insurance License

States differ in how they categorize lines of business appearing on the agent license. For example, in some states license authority for "individual life" may not cover variable life, group, credit, annuities, or health lines. If in doubt, check with your SMD.

Wait Until You Are Properly Authorized

Naturally, before acting as a licensed agent, you must wait until the official effective date of your license. Acting as a licensed agent includes soliciting, advertising, taking applications or collecting premiums.

Many states also require you to become "appointed" with each insurance company you represent. State insurance department rules and procedures vary with respect to the date on which a submitted request for appointment becomes effective. Some states allow you to submit business while the appointment request is still pending, subject to certain conditions. You are not allowed to sell or solicit for the company until the company's appointment of you has become effective with the State Insurance Department. Also, agents must make sure the company's appointment covers the right lines of business. In order to remain with WFGIA, you must maintain an active insurance license and an appointment with at least one insurance company.

Be Licensed and Appointed in the Right State for Out-of-State Business

In most cases, an agent must be licensed in the state where the applicant or proposed policy owner resides. In some situations, an agent may solicit an application from an out-of-state individual or entity. Examples might include individuals with a seasonal residential address in the agent's state or an out-of-state corporation or trust that has a bona fide location in the agent's state.

To document the reason for any out-of-state sales exception, some insurance companies require that an applicant or owner complete a declaration form for any application made in a state other than the applicant's/owner's state of residence or business.

Be sure to check with any applicable insurer rules and requirements before conducting such business.

Just in Time Appointment Processing

"Just in Time" is a term used by providers, which means the provider will not appoint you with them until your first piece of business is received.

"Just in Time" providers includes:

- Crump
- Pacific Life – "Just in Time" for all states except Florida, Kansas, Louisiana, Montana, Pennsylvania, Virginia and West Virginia
- Everest (IA American Amicable)

The "Just in Time" process is implemented after all Provider obligations have been met, i.e. background investigation review, annuity training completed, etc. If you submits business and there was a failure on any of the Provider requirements, the business is rejected.

Maintain and Renew Your License and Appointments to Continue Sales

Only conduct business with a current license and appointment. Your rights as an agent terminate when your license or appointment is revoked, terminated, lapsed or not renewed.

Appointment and Background Checks

While formal background investigations may make the appointment process longer, they are an important step in the process. Many states have specific requirements regarding a background check and the Federal Insurance Protection Act of 1994 sets out specific acts that would preclude someone from acting as a licensed agent.

Answering questions in a full and honest manner is required. Failure to do so may jeopardize your status with WFGIA, violate state laws and may even be considered a felony under the Federal Insurance Fraud Protection Act of 1994.

After you have been licensed and appointed, if there is an event(s) that would change your answers to a background check, you should notify your SMD and WFGIA Compliance.

Errors & Omissions (E&O) Insurance

Agents engage in the business of providing services and products to clients. There may be situations in which errors, disputes or complaints may arise in regards to an agent's business activities. In order for an Agent to protect themselves from the potential financial impact of good faith errors or omissions, agents are required to obtain E&O coverage.

All WFGIA agents with the exception of agents with a New York resident address, are required to purchase E&O coverage through the WFGIA provided policy. Agents must ensure that they maintain their coverage by meeting the ongoing E&O payment schedule. Failure to comply will result in WFGIA taking action that may include termination.

Agents with a New York resident address must maintain a current E&O policy with a $1,000,000 limit of liability, and must send a copy of the certificate to the WFGIA Licensing Department. You will be expected to keep your E&O coverage current and pay your E&O insurance coverage provider directly. You must provide proof of renewal of coverage on an on-going basis. Failure to provide proof of ongoing, current coverage will result in WFGIA taking action that may include termination.

Even agents that do everything right may still receive a client complaint. E&O is there to provide support, but it is also important to know policies and procedures, to follow good business practices and maintain good client notes.

Non-Licensed Staff

There are certain activities that require a license. You should be mindful of these requirements and not permit any non-licensed staff you may have to function in a capacity for which a license would be required. Specifically, you should not let a non-licensed person:

- Take applications for insurance
- Deliver insurance policies
- Discuss or explain the terms or features of a policy
- Conduct a seminar or meeting to solicit an interest in insurance or to generate leads, regardless of whether it's intended for education or some other purpose
- Quote rates, present illustrations, or perform any other acts considered "solicitation" (varies by state)

Training and Education

Agents are expected to be adequately trained and educated throughout their careers. Training and education builds competency and allows you to help clients make informed buying decisions.

Titles with Seniors

Selling to seniors may require special care and diligence. Care should be exercised in using a professional designation or credential that implies an expertise in senior investments or retirement planning. When determining if a designation/credential implies special expertise in this area, carefully consider any word such as "senior," "retirement," or "elder," when combined with words such as "certified," "chartered," "advisor," "specialist," "consultant," "planner," or like words. Be sure to present yourself and your credentials honestly.

Ethics and Compliance Training

Ethics and compliance training are two areas you cannot overlook. It is your responsibility to learn and understand the ethical principles, compliance laws and regulations, and the procedures an insurer may require.

Meeting and Training Standards

There are several ways you can meet insurance-related ethical and compliance training standards, including:

- Reviewing and understanding the materials set forth in this guide.
- Reviewing producer/agent guides that are published by insurance companies.
- Completing a formal insurance course or program in ethics. This may be required as part of your state's licensing or continuing education requirements. If not, it is still good knowledge and training.
- Reading, reviewing and complying with any compliance bulletins, notices and manuals.
- Knowing the insurance regulations of the states in which you do business. Depending on the state and the type of business involved, these regulations and requirements might include: replacement, buyer's guide and sales illustration requirements; special disclosure requirements, such as those used for sales to senior adults; licensing, continuing education, and claim and complaint-handling requirements; and underwriting requirements, such as delivering notices to clients concerning privacy rights, state guarantee funds, AIDS testing, credit report rights, or other matters

Product Training

Competent and professional agents are knowledgeable about the products and services they sell and must maintain a commitment to product training. While the degree and scope of training will vary by the markets in which you work and the complexity of products you offer, there are a variety of sources you can draw on. Keep in mind that knowing the product and pursuing product training is ultimately your responsibility.

Continuing Education

Most states require agents to continue their professional insurance education, usually annually. Insurance departments generally provide credit for approved courses that enhance an agent's professionalism, general product knowledge and ethics. If you don't comply with the continuing education laws, your state could suspend or lapse your insurance license.

Information Security

Client Information Security Standards

Client information refers to information about individuals who apply for or purchase a product or service. Confidential client information includes, but is not limited to:

- Name, address, phone number and age
- Social security number or other identification number
- Account numbers
- Financial information such as assets, debts and credit history
- Heath information including medical and prescriptions records
- Other personal information such as a driving record

Agents must only disclose, access or use confidential information for business purposes. The information can only be shared on a "need to know" basis.

Physical Security Standards

Agents are required to follow these physical security standards:

- Client information must not be left unattended in offices, conference rooms, fax machines or printers
- Client files, documents, or any other records/documents containing confidential information should be stored in locked file cabinets or desks when not in use, and in all cases, secured at the end of the business day
- Visitors to an agency location should not be allowed to walk unescorted in areas where client information is easily accessible
- Destroy unneeded documents: Agents are required to either shred the document or dispose of them in secure bins located in their respective office, but under no circumstance is confidential information to be discarded in recycle or trash bins
- Lock down agency location at the close of business
- Complete all information security training administered by the firm
- Report gaps: Agents are required to report any failures in physical safeguards - e.g., broken locks, inadequate secure zones, etc. - to his/her SMD

Electronic Records Security Standards

Certain states, such as New York, require an agent to annually certify that they are in compliance with the NY Cybersecurity Requirements for Financial Services Companies or certify that they are exempt from such filing. Agents are required to be knowledgeable about, and comply with, all applicable state requirements related to the safeguarding of electronic information and cybersecurity requirements in the states in which they do business. At a minimum, agents must follow the following electronic records security standards:

- PCs with access to client information should not, as a general practice, be left unattended or, in the alternative, screen savers/sleep mode should incorporate password protection
- Client information should never be downloaded, maintained or saved to your PC
- Password protections for access to PCs must be implemented: Agents should use passwords that are not easy-to-guess, avoid divulging passwords to other parties and store passwords in a secure location
- Encryption tools must be used when emailing confidential information to the client

Agents' Information Security

The Data Protection Supplement details specific requirement for the information security program that you, as an agent, must have in place to properly protect a client's information. As an agent, you agree your contract is subject to the Data Protection Supplement and Attachment B (page 45).

Reporting Data Breaches

WFGIA requires that its agents report any data breaches as they may cause damage to the firm, they may harm clients, and many states require clients be notified of data breaches that may expose them to identity theft and other risks. It is very important all potential data breaches be reported to the agent's SMD and Compliance immediately.

Trade Practices

Most states have adopted the Unfair Trade Practices Act to protect consumers against unfair or deceptive insurance marketing and claims practices. Certain agent or insurer practices are considered illegal and include the following activities:

Boycott, Coercion or Intimidation

Actions intended to create a monopoly or unreasonably restrain free trade in the business of insurance.

Defamation

A false, maliciously critical, or derogatory statement intended to injure a person engaged in the insurance business.

Discrimination

Allowing differences in rates, premiums, fees, or policy benefits between individuals of the same class or insurance risk based on place of residence, creed or national origin. Some states may also include gender, marital status, place of residency, or other factors in their definition(s).

False or Deceptive Advertising

Creating or using misleading or untrue material to solicit interest in insurance or in a product, company, or agents. This includes deliberate use or creation of false financial documents regarding the solvency of an insurer designed with the intent to deceive others.

Illegal Premiums or Charges

Charging or collecting any premium or charge not specified in the insurance contract.

Insurance Churning

Replacing a client's insurance policy with a new policy from the same insurance company to earn a commission rather than provide better coverage.

Misrepresentation in Insurance Applications

Making false or fraudulent statements or representations by an applicant, agent, or other person in or relating to an application for an insurance policy or an annuity contract. This would include encouraging or knowingly helping another person make such a representation or knowingly attest to it. Also, keep in mind that a material misrepresentation in the application can void the policy contract, and may result in commission chargebacks and loss of coverage.

Misrepresentation of an Insurance Policy

Oral or written statements, omissions, presentations, illustrations, estimates, or comparisons made or circulated by an agent, insurer, or other person that do not truly reflect the facts concerning the terms, benefits, rates, advantages, or conditions of any insurance policy or annuity contract.

Rebating

An illegal practice in most states, rebating involves the return of any portion of the agent's commission to an insured or anything else of value given to an insured as an inducement to buy.

Twisting

Misrepresenting a policy or making incomplete comparisons of policies to induce a policy owner to change or replace an existing insurance policy with a policy from another life insurance company.

Borrowing from or Loaning Money to Clients

Agents are prohibited from borrowing money from or lending money to a client or client's family member. This includes depositing client funds into your personal bank account(s).

Tie-Ins

Illegally requiring a person to buy another product or service to be eligible to buy insurance or vice versa.

Examples of Inappropriate Actions

- "Bashing competitors" through disparaging remarks about other insurance companies, MGA's, products, agents or producers
- Unfairly or incompletely comparing companies, agents, producers, products, or insurance company ratings
- Misrepresenting company ratings and financial statements
- Making untrue statements on an insurance application

Quick Reference Do's and Don'ts

Do's

- Use only illustrations and sales material provided or approved by WFGIA. All sales material must be reviewed and approved by the WFGIA Advertising Department prior to use.
- Use the sales process to determine if a product is suitable and in the best interest for your client's needs and, for sales of fixed annuity contracts, provide the company required suitability forms with the application. The documented needs analysis in your client's file must include employment status, approximate annual income, source of income, estimated net worth, financial objectives, product time horizon, marginal federal income tax bracket, investment knowledge, existing investment account information, and risk tolerance.
- Accompany replacements with full disclosure to the client of all important considerations including any surrender charges and the appropriate replacement form for the state-of-issue.
- Sell business only in states where you are properly licensed and appointed.
- Promptly deliver policy or contracts to the owner. You are not allowed to hold policies or contracts for safekeeping.
- Verify that all information on the application is correct. Applications should never be backdated or provide false or misleading information.
- Sign as a witness only if you are actually present at the signing process.
- Maintain complete client files.
- Document and report client complaints immediately to the WFGIA Compliance Department.
- Educate yourself about state market conduct rules and regulations. Keep thorough continuing education records.
- Keep all client Information confidential unless authorized by the client to release it.

- Protect client confidentiality and security of personal information. Please remember that any email transmission which contains private client Information whether in the email itself or in an attachment, must be sent and received using an encrypted email process.
- Submit a full and complete illustration signed prior to, or the same date as, the application for life insurance.
- Provide and review comparative illustrations using accurate and similar assumptions before replacing existing life insurance coverage. While not required, we encourage you to provide an illustration for proposed annuities to include reviewing an illustration of the client's current contract and/or policy if a Replacement is involved.
- Immediately notify WFGIA Supervision and/or Compliance of all changes in your criminal history or of any involvement in a regulatory action.
- Complete all agent training and keep up to date on new product information provided by WFGIA.
- Cooperate fully with any investigation, audit or inquiry being conducted by WFGIA.
- Keep all licenses and appointments up-to-date.
- Notify WFGIA if your insurance license or any professional license has been revoked, suspended, terminated, etc.

Don'ts

- Don't churn! Churning is the practice in which contract values in an existing contract are used to purchase another contract for the purpose of earning additional commissions, fees, or other compensation, without benefit to the Client. It is prohibited.
- Don't sign applications or forms from sales presentations made by other agents. The agent who signs the application should be the agent who made the sales presentation.
- Don't sign or modify/alter any document on behalf of a client or other person under any circumstances, even if you have authorization from the client.
- Don't make, modify, or discharge contracts, policies or accounts.
- Don't extend the time for paying the premium or waive any of WFGIA's or insurer's rights or requirements.
- Don't agree to accept extra premium for extra risks.
- Don't advise a client to access free withdrawal amounts for the purpose of purchasing another contract or using it as premium for an existing contract unless there is a clear economic benefit to the Client.
- Don't have a client or another person sign a blank or incomplete document.
- Don't market or sell a contract with a spend down strategy, including but not limited to Medicaid, Medi-CAL, Veteran's Administration Benefits, or the like.
- Don't endorse, deposit, cash, or otherwise negotiate any check drawn to WFGIA or any client.
- Don't directly or indirectly give rebates. Don't pay anything of value, directly or indirectly, to clients, agents, producers, or any other party to induce an individual or any legal entity to purchase a new contract or replace, withdraw funds, surrender, or in any other manner change an existing contract.
- Don't be an Assignee, Owner, Beneficiary, Contingent Beneficiary, Power of Attorney, Trustee, or Contingent Trustee of any contract issued other than a contract on your life or the life of a member of your immediate family. Some states, such as Florida, may have even more strict guidelines that also prohibit the family of the agent from assuming these roles as well.
- Don't represent WFGIA in any manner before any governmental or self-regulatory authorities, including, but not limited to, state Insurance Departments, state Securities Departments, FINRA and the Securities Exchange Commission (SEC).
- Don't modify or change the appearance of the contract, policy, account and/or company marketing materials.
- Don't act as notary or signature guarantee on clients' financial or nonfinancial transactions.
- Don't maintain a joint financial account with a client unless the Client is a member of your immediate family.
- Don't accept cash, money orders, credit card checks, traveler's checks or starter checks with no printed account owner information.
- Don't use personal funds to pay a client's premiums.

- Don't discuss or attempt to requite or settle a complaint.
- Don't allow clients to make checks payable to you, your corporation, agency, or office staff.
- Don't use your personal or business address as the address for a client or a client's contract.
- Don't use white out to make corrections to an application or form. Complete a new form and obtain new signatures/dates.
- Don't submit premiums whose source of funds is known to be loans of any kind, including but not limited to, mortgages, reverse mortgages, and margin loans.
- Don't submit an application on a client you suspect or know to have provided false or misleading information on the application unless you include a cover letter explaining your suspicions.
- Don't engage with any clients known to be involved with activities that threaten public order or safety.
- Don't accept gifts, cash or checks made payable to you from any wholesaler or product provider nor give a gift to a client that has a value in excess of $100.00.
- Don't use your WFG or TFA email account for personal business.
- Don't describe the WFG business opportunity as a franchise
- Don't state that associates or agents are employees of WFGIA or any of its affiliated companies
- Don't make recommendations to liquidate securities products if you are not a Registered Representative
- Don't impersonate your clients and request changes to their policy(ies)

Business Practices

New York State Regulation 194 – Producer Compensation Transparency

Agents who have direct sales or solicitation of insurance products in New York are required to provide compensation disclosure as required by NY Regulation 194. Agents must provide the client with the disclosures summarized below:

- Initial Disclosure: Agents are required to provide an initial disclosure, Reg. 194 Disclosure, to a client who purchases an insurance product. The disclosure describes the role of the agent, the source of the agent's compensation, factors that may cause the agent's compensation to vary and that the purchaser my request additional information regarding the specific amount of compensation the agent will receive from the sale of the policy/contract. The client is required to sign and date the disclosure, acknowledging receipt. The agent is responsible for maintaining a copy of the executed Reg. 194 Disclosure in his/her client file.
- Disclosure Upon Request: If a client requests additional information on the amount of compensation to be paid to the agent, you must disclose the amount of known compensation and make a reasonable estimate of unknown or contingent compensation. An agent may disclose the compensation as a stated dollar amount or as a percentage of one year of premium.

Agents are required to provide clients with the executed disclosures noted above, with a copy maintained in the respective client file.

Telemarketing

The Telephone Consumer Protection Act (TCPA) restricts telephone solicitations, i.e., telemarketing and limits the use of automatic dialing systems, artificial or prerecorded voice messages, text messages, and advertising by fax. Non-compliance with the TCPA can result in penalties ranging from $500 to $1,500 per violation, with the top end being reserved for knowing or willful violations. You are required to comply with all applicable telemarketing rules, including the Federal and State Do Not Call regulations. Agents may not place telephone calls to any telephone number that is maintained on the National Do Not Call registry. Specifically, agents are subject to these telemarketing requirements:

- Check the DNC Lists prior to making any telephone solicitation
- Train Producers engaged in any aspect of telemarketing on the existence and use of a Do Not Call Policy and List
- Only make calls between the hours of 9 am and 9 pm local time

- Promptly identify the Producer's name, company name and telephone number or address at which the Producer may be contacted
- Ensure the the Producer's caller ID is not blocked as this is prohibited
- Use a compliance-approved script

If a client or prospect requests to be placed on the Company's Do Not Call registry, the agent is required to submit the name and telephone number to the Company's Do Not Call registry located on MyWFG.com. Agents should make every effort to enter this information into the Company's registry within 48 hours. Waiting 30 days to enter the information may cause an agent to lose sight of the requirement resulting in the client or prospective client not being added to the registry.

Use of Prerecorded, Autodialed Call/Texts or Fax Machines for Marketing

Unless prior written consent is received from a client or prospect, an agent may not market his/her services/products through the use of prerecorded, automatic calls/texts, or fax messages. Prior written consent requires a written agreement that documents the telephone number that specifically authorizes telemarketing by prerecorded, automatic dialing/texting, or fax messages, and that it is not required as a condition of purchase.

Copies of all executed written consents must be maintained by the agent.

Email Marketing

The CAN-SPAM Act is a law that sets the rules for commercial email, establishes requirements for commercial messages, and gives recipients the right to have you stop emailing them. Similar to TCPA, failure to comply with this law subjects the company to monetary penalties of up to $40,000.

Prior to sending out any commercial email, the primary purpose of it needs to be determined as this will determine if the CAN-SPAM Act is applicable. An email can contain three different types of information:

- Commercial content: Advertises or promotes a commercial product or service, including content on a website operated for a commercial purpose
- Transactional or relationship content: Facilitates an already agreed upon transaction or updates a client about an ongoing transaction
- Other content: Neither commercial nor transactional or relational

Any message that contains only commercial content must comply with the requirements of CAN-SPAM. The key requirements of a CAN-SPAM program are as follows:

- Don't use false or misleading header information: The "From," "To," "Reply-To," and routing information, including the originating domain name and email address, must be accurate and identify the person or business who initiated the message
- Don't use deceptive subject lines, the subject must accurately reflect the content of the message
- Identify the message as an ad
- Inform recipients where you are located: The message must include a valid physical postal address
- Inform recipients how to opt out of receiving future emails: The message must contain a clear, conspicuous explanation of how the recipient can opt out of receiving marketing emails in the future

Client Funds

Forms of Payments

WFG prohibits the acceptance of cash or monetary instruments from clients. Acceptable forms of payment include:

- Client personal check
- Bank/Cashier's check
- Third-party check from a financial institution drawn on the account of an insurance company, broker/dealer, or mutual fund company

Unacceptable forms of payment include:

- Cash, travelers checks, money orders
- Checks drawn on non-U.S. banks
- Agent personal checks
- Starter checks

Policy Replacements

Overview

Agents should refrain from replacing or encouraging the replacement of existing policies and annuity contracts without first clearly, accurately, and fairly communicating to the client information needed to determine whether replacing an existing policy or contract may or may not be appropriate. Comply with any state replacement regulation and follow these important requirements:

- Obtain, study and keep a copy of your state's regulations.
- Accurately record the answers to the replacement questions on the policy application and the agent's report.
- Deliver any state or insurance company required Replacement Notice to the applicant at the time of application.
- Comply with any other state regulations.
- Make sure that you document the reasons justifying the replacement. Your documentation should include the client's reasons for the replacement and the advantages and disadvantages to the client. The Society of Financial Service Professionals (www.financialpro.org) provides a fact-finding replacement questionnaire you can use with clients.

Life Insurance Replacement in New York

Every application for life insurance in New York requires that a "Definition of Replacement" form be completed. The Definition of Replacement form asks if you will be lapsing, surrendering, canceling, reducing the face amount, changing policy to a paid-up insurance policy, assigning the policy as collateral, stopping premium payments, etc.

If you answer "yes" to any of the above, New York life insurance laws consider this to be a replacement under Regulation No. 60. Please visit www.dfs.ny.gov for details.

General Guidelines

If a client is considering replacing an existing policy with another one, you can provide a valuable service by helping them evaluate whether a replacement is in their best interests.

Life Insurance

You should discuss and review the following factors with the client to determine whether a replacement is appropriate.

- Surrender charges, if any on the existing policy.
- Front-end loads or sales charges of the new policy.
- Accessibility of policy values of the new policy. Be sure to disclose the availability of policy loans, the duration of the surrender charge period, amount of penalty and charges associated with partial withdrawals and surrenders, and any limits or conditions for waiving those penalties or charges.
- Effect of the new contestable and suicide periods of a new policy.
- Evidence of insurability: the new policy may be rated or declined.
- Cost and duration of premiums and fees for each policy.
- Comparison of cash value under the old and new policies.
- The costs and effect of borrowing from the existing policy, if contemplated.

- Tax treatment of the surrender or exchange, or any outstanding policy loans.
- The advantage of modifying the existing policy, if possible, to meet client's objectives rather than buying a new policy.
- Financial ratings assigned to the new company if significantly different than the ratings of the old company.

Annuities

You should discuss and review the following factors with the client to determine whether a replacement is appropriate.

- Surrender charges, if any, on the existing annuity.
- Liquidity of the new annuity. Be sure to disclose the duration of the surrender charge period, amount of penalty and charges associated with partial withdrawals and surrenders, and any limits or conditions for waiving those penalties or charges.
- Tax treatment of the surrender or exchange.
- Cost and fees of each annuity.
- Guaranteed death benefits or riders.
- Financial ratings assigned to the new company if significantly different than the ratings of the old company.

Long Term Care Insurance

You should discuss and review the following factors with the client to determine whether a replacement is appropriate.

- Difference in the benefits and the limitations and exclusions between the policies.
- How important is it to the client if the replacement results in the incontestability period are starting over under the new policy.
- Underwriting class under the new policy is or is not as favorable as it was under the old policy.
- Possible tax consequences resulting from canceling the old policy and replacing it with the new one.
- Financial ratings assigned to the new company if significantly different than the ratings of the old company.

Other Points to Remember Regarding Replacements

Use fact-finding tools to assist you in a complete and accurate comparison of policies. In the end, clients must make their own decisions regarding what they believe to be their best interests. However, a quick review of these issues and tools will allow you to assist the client in making informed decisions concerning the advisability of replacement. If the client decides to replace a policy, you should advise him or her to keep the old one in force until an underwriting decision is made on the new policy.

In addition, the appropriate replacement form for the state in which you are writing business must be used. One copy of this form is to be left with the applicant and one copy is to be returned to the insurance company with the completed new application.

In most states, completion of the replacement form will require you to certify that the replacing coverage materially improves the insured's position. Indiscriminately replacing an insured's coverage may subject you to fines and other penalties.

Regulations for Financed Sales

Financed sales are replacements funded by borrowing or withdrawing from an existing policy. Financed sales, "internal replacements," and their related sales practices are closely monitored by insurers. Before recommending a financed sale, take special care to determine whether it is appropriate. Carefully document that the client understands the costs of "financing" and the effect on the existing policy.

Advertising

It is important that you communicate with your clients, and prospective clients, in a truthful and accurate manner regarding any products or services that you may be discussing, recommending, or otherwise "soliciting." The words, actions, and presentation materials that you use help clients make informed buying decisions.

WFGIA requires agents to obtain Advertising Compliance prior to using material(s) for advertising purposes unless it has been expressly marked as being pre-approved.

Guidelines for Creating Advertising Materials

At all times, advertising materials must be truthful and never mislead by fact, omission or implication, regardless of the medium used.

General Advertising Guidelines

- Materials should be based on principles of fair dealing and good faith.
- Materials should be fair and balanced.
- Do not willfully omit material facts.
- Do not use false, exaggerated, unwarranted or promissory claims.
- Do not disparage any competitors, their products or business practices.
- Do not advertise benefits provided by a rider with greater prominence than the products primary benefits.
- Do not provide tax or legal advice.

Life Advertisement Guidelines

- Describe a life insurance policy clearly as life insurance and prominently describe the type of policy advertised.
- Describe life insurance payments as premiums not deposits.
- If withdrawals are mentioned, describe them as "partial surrenders" and explain that they may be subject to surrender charges.
- If policy loans are mentioned, explain that interest will be charged on the policy loan and that it may reduce the death benefit of the policy.
- Do not imply that life insurance is an investment, savings plan or retirement plan.

Index Universal Life/Index Annuity Guidelines

- Clearly describe that it is a life insurance product and is designed to provide life insurance protection.
- Refer to the applicable index only as a factor that in part determines the interest to be credited at the end of the index period, and is not a vehicle for stock market participation.
- Clearly disclose that the insurance company is the entity backing the guarantees provided by the product.
- Emphasize that the insurance company credits interest, and not that the client receives stock market gains or market growth.
- Clearly disclose that the product is not an investment (Index Universal Life).
- Clearly disclose that the participation rate and/or cap rate, and any other non-guaranteed components of the indexing formula, may change at the insurance company's discretion and may be different in the future
- Do not emphasize similarities to variable annuities, mutual funds or other investment vehicles.
- Do not place undue emphasis on the index.

Instructions for Advertising Review

All advertising submissions should be submitted to the WFG Advertising Department. using cMAX, which is accessible via MyWFG.com. Please note that only SMD and higher level agents can submit items to Advertising Compliance for review and the submissions cannot be for another agent that is not an SMD.

Please take the following steps when submitting your advertising materials to WFG.

- Complete and submit your material via cMAX. The cMAX system gives each submission a unique tracking number that will need to be included on the piece. Additionally, please note that:

- Each advertisement/piece of material for review must be submitted separately.
- If statistics and quotes are referenced in the material, provide Advertising Compliance with a copy of the source documentation for each item so that the information can be verified.
- If the advertising piece is in a foreign language, please provide a copy of the material in English as well. You are required to submit a certified attestation letter or email from a third party company that states that the English and the foreign language material states the same or very similar wording. The company that provides the attestation must provide translation as a service. Agents cannot provide the translation for the material(s).

- You will receive a final status email for your submission.
- Approvals for advertising material(s) expire in 12 months, unless otherwise indicated.
- It is recommended that you save a copy of all approved advertising submissions to verify approval, if needed, and the tracking number.

Advertising Requiring Review

All advertisements and sales materials must be sent to WFG and/or WFGIA for review and approval prior to use. This includes materials related to products, recruiting, etc. In addition, all sales contests must also be submitted for review and approval prior to launch.

Approved Social Media Sites

The following is a list of approved social media websites:

• Facebook • LinkedIn • Monster • Twitter • YouTube (Very Restrictive) • Instagram

Visit: https://www.mywfg.com/Media/Default/PDFs%202018/WFGUS10044%20Social%20Media%20Guidelines%207.pdf to view a copy of the Social Media Policies and Guidelines

Protecting the WFG Brand and the Use of the Transamerica Name, Image or Logo

Every agent/associate throughout North America is responsible for maintaining the superb reputation of World Financial Group. Everything an agent/associate does create an impression in the mind of the public, our consumers, and future potential associates/agents. World Financial Group (WFG) is a Transamerica company. WFG agents/associates are independent contractors associated with WFG as either an associate or a licensed agent of World Financial Group Insurance Agency, Inc. Therefore, WFG agents/associates are only authorized to represent themselves as an agent/associate with WFG. This applies to both client and recruiting communications. WFG agents/associates should never recruit or give the impression that they are recruiting to Transamerica.

Use of Professional Designations

The use of improper and/or misleading professional designations and credentials is unlawful in some states, may violate FINRA rules and should be avoided. In all cases before using a professional designation or credential, you must have actually received or earned the designation/credential from an accredited university, college or professional society. The use of non-existent or self-conferred designations is prohibited, as are designations that imply a level of education, experience or training that you do not have.

Designations such as the CSA CIMC, ChFC, or others help demonstrate your commitment to clients and professional development. In addition, certain states have implemented regulations prohibiting the use of certain professional designations. You should verify that there is no state prohibition before considering a professional designation.

Here is a list of pre-approved designations:

- Chartered Financial Consultant (ChFC)
- Certified Senior Advisor (CSA)
- Certified Investment Management Consultant (CIMC)
- Certified Fund Specialist (CFS)
- Chartered Institute of Management Accountants (CIMA)
- Accredited Asset Management Specialist (AAMS)
- Master of Science in Financial Services (MSFS)
- Certification in Long-Term Care (CLTC)
- Certified Financial Educator (CFEd)
- Certified Public Accountant (CPA)
- Certified Retirement Counselor (CRC)
- Master of Business Administration (MBA)
- Doctor of Philosophy (PhD)

Sales Illustrations

Sales illustrations may be provided for certain types of products from insurance companies. Rules and guidelines will vary according to the type of illustration (guaranteed, hypothetical, with or without loans, etc.) and the type of product being illustrated (term life, whole life, universal life, variable life, immediate or deferred annuity, fixed or variable annuity, etc.).

General Guidelines for Sales Illustrations

- When presenting a hypothetical illustration, inform the client that the illustration is intended to show how the policy would work under different assumptions. It is improper to present a hypothetical illustration in such a way as to predict results or lead a client to expect such results. Explain that the results cannot be predicted because the underlying non-guaranteed assumptions will vary over time.
- Never guarantee rates, values or projections in an illustration when they are based on non-guaranteed rates, non-guaranteed charges, or hypothetical performance or assumptions. Do not suggest or imply that they will, in fact, be achieved even though not guaranteed.
- Never alter, modify, mark on or remove pages from illustrations.
- Use only insurance company-approved illustrations. These include illustrations generated or provided by the insurance company at their home office or generated by you through their software tool(s). If you generate the illustration, be sure to produce all the required parts of the program.
- It's good practice to keep a copy of any presentation you present to the client.

Guidelines for Traditional Life Insurance

Most State Insurance Departments have adopted the National Association of Insurance Commissioners (NAIC) Model Life Insurance Illustration Regulation, which applies to illustrations of traditional (non-variable) life insurance. Many companies apply the standards and procedures required by this Model Regulation nationally, even in states where it is not yet effective.

- The Regulation requires each insurance company to declare each product as either one to be sold with an illustration or one for which illustrations are forbidden. Make sure you follow each insurance company's designations for each product that you sell.
- If you are offering a policy that is not to be illustrated, then any use of illustrations is strictly prohibited. You must not provide the client with any depiction, advertisement, projection, or table that contains any non-guaranteed element. For example: You must not present a client with a projection or table of future non-guaranteed premium rates.

- If you are offering a policy an insurance company has declared must be illustrated, then you and the insurance company must comply with various requirements, including:
    - The rates used in the illustration must meet strict actuarial standards and testing
    - At time of application, you must provide an illustration of the policy as applied for, the client must sign the illustration, and you must leave a copy with the client, subject to certain conditions
    - If the policy ultimately is issued other than as applied for, a new conforming illustration must be delivered with the policy

Special requirements exist for annual policy reports and requests for in-force illustrations.

Guidelines for Sales Illustrations for Deferred Annuities

Fixed annuity illustrations can be based upon a non-guaranteed interest rate that cannot be greater than that currently being credited by the insurance company. The illustration must likewise set forth, with equal prominence, a comparable illustration based upon the policy's minimum guaranteed interest rate. All illustrations containing a rate to be earned are required to reflect the deduction of all limitations and conditions, such as surrender charges and policy or administrative fees, which affect the rate of return. These limitations and conditions must also be disclosed prominently. Currently state rules and insurance company practices vary widely for sales illustrations of fixed annuities. Make sure you understand the rules and requirements of the insurance companies, with whom you do business.

Insurance Fraud

Fraud and Deception

Fraud is deception deliberately practiced in order to secure unfair or unlawful gain. It costs insurers and consumers billions of dollars every year and is one of the most significant issues facing our industry. Because of this, the federal government and several states have enacted legislation designed to reduce insurance fraud. To aid in compliance with anti-fraud regulations, follow these guidelines:

- Maintain appropriate licenses and appointments
- Participate in periodic compliance training and continuing education
- Promptly submit applications, premiums, claim forms and policy changes to the appropriate office
- Except where permitted by insurance company procedures, use original documents instead of faxes, email or photocopies
- Instruct clients to make premium checks payable to the insurance company
- Never give direct monetary or indirect "in-kind" rebates
- Avoid inaccuracies or misrepresentations when helping a client complete an application or a claim form requesting benefits
- Use only approved sales materials, including illustrations
- Respond in a timely manner to any requests received from the WFGIA Compliance or Supervisory Departments and/or State Insurance Department with any investigation or inquiry regarding a client complaint
- Report suspected fraud by agents or clients to WFGIA
- Document transactions where appropriate
- Do not willfully hire, contract, employ, or appoint persons in the business of insurance without following the procedures, guidelines and applicable background investigation requirement
- Never impersonate another individual
- Never "fill in" for a colleague so they can avoid licensure in a state

Federal legislation includes the insurance fraud sections of the Violent Crime Control and Law Enforcement Act of 1994 (18 U.S. Code, Sections 1033 and 1034). Section 1033 of the Act makes insurance fraud a federal crime and specifically prohibits:

- Producers, agents, directors, employees, or officers of insurers who have been convicted of any criminal felony involving dishonesty or breach of trust from participating in the insurance business Acts of this nature involve "some element of deceit, untruthfulness or falsification" and include bribery, cheating, embezzlement, forgery, misrepresentation, perjury, and theft

- An insurer from willfully hiring or contracting with a person convicted of a criminal felony involving dishonesty or breach of trust without written consent of an insurance regulator

That Section classifies the following as federal criminal felonies:

- False financial reports to insurance regulators
- Misappropriating from an insurance entity
- False entries in financial books of an insurance entity
- Obstruction of justice in a proceeding before any insurance regulator
- Willfully permitting certain criminals to participate in the insurance business

The statute requires that any person convicted of any criminal felony, as described above, obtain written consent from the State Insurance Commissioner before engaging or continuing to engage in the insurance business. Please note that this requirement does apply to persons already working in the insurance business.

The federal government is serious about enforcing anti-fraud regulations, and the penalties provided by section 1034 include:

- Up to 15 years in prison for each violation
- Fines for each violation up to $50,000 or the amount of compensation received, whichever is greater
- Injunction order(s) prohibiting a person from engaging in any illegal conduct

Identifying Suspicious Activity

If you suspect criminal activity is occurring at or through WFGIA you should report it immediately to the WFGIA Supervisory or Compliance Departments. To protect yourself and WFGIA, you should be alert to indicators that could provide circumstantial evidence that criminal activity is in the works and report those concerns to the WFGIA Supervisory or Compliance Departments.

Potential Warning Signs of Fraud

It should be stressed that the presence of one or more of these indicators listed below does not mean that fraud has occurred, or will occur, but should be considered in determining if suspicious activity might be fraudulent in nature.

Life Insurance Fraud Indicators

- Policy's effective date is close to date of death
- Deceased is not well-known by relatives and lived alone
- Policies requiring physical examinations are almost never used
- Numerous life insurance policies were purchased for the deceased
- Different providers were used in securing coverage
- Coverage amount is not commensurate with the stated employment/income of the deceased
- Theft of premium or annuity payments
- Twisting
- Churning
- Submission of unauthorized or fictitious policies
- Fraudulent misrepresentation
- Forging signatures on applications, amendments, and/or policy delivery receipts
- Theft of policy values
- Misrepresenting where the application was signed

Application Fraud Indicators

- Unsolicited, new walk-in business not referred by existing policyholder
- A client walks into agent's office at Noon or end of day when agent and staff may be rushed
- The client neither works nor lives near the agent's office
- The client's given address is inconsistent with stated employment/income
- The client refuses to provide a telephone number
- The client cannot provide a driver's license or other identification or he/she has a temporary, recently issued, or out-of-state driver's license
- The client tries to pay the premium in cash
- The client suggests price is no object during application process
- The client is unemployed or self-employed in a transient occupation
- The client asks in-depth questions regarding the claims process
- The client is unusually familiar with insurance terms or procedures
- Changes to the client's address, date of birth, tax ID number or health information are requested after the application has been submitted
- A third-party conducts the transactions on behalf of client for no apparent reason
- The application is not signed with the agent present

Anti-Bribery & Corruption Policy

WFGIA's policy requires agents to conduct all business in an honest and ethical manner. WFGIA takes a zero-tolerance approach to bribery and corruption, and is committed to acting professionally, fairly and with integrity in all business dealings and relationships. If an agent suspects a member of WFGIA has violated an anti-corruption law or otherwise engaged in improper conduct in an effort to obtain business, she/he must immediately report such a suspected violation to the Supervision or Compliance Departments.

Bribery

Agents may not promise, offer, give or authorize, directly or indirectly, a bribe or anything of value to anyone including any government official, employee, representative of a government (including state-owned enterprises and/or state-controlled entities), private (non-government) officials, or employees of any business (collectively, a Third Party) to attempt to improperly influence any act or decision to obtain or retain business.

Gifts & Entertainment

Agents are not prohibited from giving or receiving gifts or entertainment to and from a Third Party so long as it is reasonable and not frequent to raise ethical concerns. However, agents are prohibited from accepting a gift or entertainment from or giving a gift or entertainment to a Third Party in the following situations:

- It is made with the intention of influencing a Third Party to obtain or retain business, to gain a business advantage, or to reward the provision or retention of business or a business advantage, or in explicit or implicit exchange for favors or benefits
- It includes cash or a cash equivalent, such as gift certificates or vouchers
- It is of an inappropriate type and value and given at an inappropriate time, e.g. during the sales process
- It is given secretly and not openly

Facilitation Payments & Kickbacks

Agents are also prohibited from making or accepting facilitation payments or kickbacks of any kind to a Third Party. It is not acceptable for an Agent to:

- Give, promise to give, or offer a payment, gift or entertainment with the expectation that a business advantage will be received or to reward a business advantage already given
- Give, promise to give, or offer a payment, gift or entertainment to a Third Party to 'facilitate' or expedite business
- Accept payment from a Third Party that you know or suspect is offered with the expectation that it will obtain a business advantage for them
- Accept a gift or entertainment from a Third Party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided by the agent in return

Anti-Money Laundering and the USA PATRIOT Act

Congress enacted the USA PATRIOT Act, which strengthened the anti-money laundering laws particularly in the areas of enhanced due diligence for crimes by foreign nationals and foreign financial institutions. In addition, the U.S. Treasury Department has adopted anti-money laundering (AML) program regulations and regulations for required reporting of suspicious activity for insurance companies. The regulations apply to insurance companies that offer "covered products" that include a permanent life insurance policy other than a group life insurance policy, any annuity contract other than group, and any other insurance product with features of cash value or investment, which includes variable universal life insurance and variable annuities.

Money Laundering and Terrorist Financing Defined

Money laundering is the illegal conversion of criminal proceeds into seemingly legitimate funds or the use of legitimate earnings for illegal activity. Financial institutions are required to monitor accounts under the Bank Secrecy Act, the Money Laundering Control Act of 1986 and the USA PATRIOT Act.

Terrorist financing involves the use of money, which may be lawfully obtained, to fund illegal activities. Because the transactions often have a legitimate origin and can involve small amounts of money, terrorist financing can be more difficult to identify than money laundering activities.

Client Identification Program (CIP) or "Know Your Client"

AML regulations require that insurance companies obtain all relevant client-related information necessary for an effective program. It is important that all client information requested on the application or any supplemental form be obtained at the time of sale. **Note:** Agents who are also registered representatives should use TFA's CIP procedures.

Red Flags

While it is impossible to list every potential situation that may be deemed suspicious, the activities can be generally thought of as falling into two categories: client information and client activity. You should be aware of suspicious activity and report this activity to the insurance company. Examples of suspicious activity include:

- The client seems unusually concerned about providing, or seems reluctant to provide, personal financial information
- The client is reluctant to provide routine information about identity, source of funds, business activities, and bank references that you would expect the client to provide
- Payments are made via multiple cash equivalents, i.e. money orders or cashier's checks
- The client is from, or has accounts in, a country or territory identified as non-cooperative by the Financial Action Task Force that is an international organization made up of several countries, including the United States, dedicated to combating international money laundering
- The client is introduced by an overseas agent, affiliate, or other company that's based in a country known for drug trafficking, terrorism, or money laundering
- The client provides information that turns out to be false or suspicious—for example, the client's Social Security number or date of birth does not match that provided on other documents, the phone number provided by the client is disconnected, or the business address is for a vacant building or an office space that seems inconsistent with the description of the business

- The client is concerned about currency reprinting or client identification requirements
- The client withholds information necessary to complete required transaction reports
- The client's appearance or demeanor is suspiciously unusual or the client is excessively nervous
- The client doesn't seem to care about returns on an investment, but instead focuses on restrictions relating to withdrawal or cancellation
- The client is named in news reports or rumors circulate that the client is engaged in illegal activities
- The client claims to be an agent, such as a lawyer or accountant, for someone else, but does not reveal the identity of the principal or permit you to speak to him/her

Awareness Alert

The Financial Action Task Force (FATF) and the Financial Crimes Enforcement network (FinCEN) have advised financial institutions as well as their agents, producers, distributors, and employees to scrutinize and be aware of possible suspicious activity for accounts domiciled in countries identified by the FATF as non-cooperative.

The list of countries changes, but a current list can be obtained by visiting: www.fatf-gafi.org or www.fincen.gov.

AML and Know Your Client

Verification of identification is a section under the USA PATRIOT Act and requires that producers, agents distributors, and employees to "know your client." At a minimum, be sure to request full identification of the client, his/her business entities, and his/her source of funds. Additionally, determine if product requests are in line with his/her business entities and his/her source of funds.

Willful Blindness

'Willful blindness" is a violation of the AML regulations. This means it's against the law for you to "look the other way" if you know of, or reasonably should have known of, red flags indicating suspicious activity. As an agent, you have a legal duty to "know your client," detect such suspicious activity and report it.

WFGIA Anti-Money Laundering Requirement

WFGIA agents are required to complete Anti-Money Launder Training (AML), annually. If you do not meet the annual requirement, you can be placed on an AML suspension and your commissions can be held. You can access some of WFG's preferred education providers, from whom you can take the required AML training, through the Continuing Education page on MyWFG.com.

WFGIA will accept any AML course offered through a third-party education provider as long as they are approved for your resident state's continuing education. However, if you use ExamFX or a provider other than Kaplan, A.D. Banker, or Success CE, you are responsible for certifying your AML course through the Back Office Support System (BOSS).

Handling Complaints and Other Special Client Communications

If you receive a client complaint, you must inform your SMD, the WFGIA Compliance Department and the insurance provider immediately, i.e. the same day you receive the complain. You should cooperate with the investigation and provide copies of any documents, explanations or statements requested. You should never promise the client a specific result and you should not argue with the client. The insurance provider and WFGIA, where applicable, will investigate the complaint and respond to the client.

Clients may contact you for a variety of reasons that could include: service requests, inquiries, questions, concerns, lack of understanding, or a serious grievance. It's important to listen to clients carefully and provide prompt and effective service.

If you receive or become aware of an "insurance complaint," you must give it special handling. Under the insurance laws of most states, a complaint is defined as written or verbal communication primarily expressing a grievance. The client might send the complaint to you, to WFGIA, the insurance company, or file it directly with the State Insurance Department or other regulatory agency, or any combination of these. It might be sent or filed by the client, or by a representative or attorney for the client. In any of these cases, if the communication is in writing and expresses primarily a grievance, it's considered a complaint.

Lawsuits and Policy Claims

Lawsuits, threatened lawsuits, death claims, or claims for other policy benefits are not necessarily complaints. But, like complaints, they are serious communications that require your prompt handling. If you don't handle them properly and promptly, they could lead to a complaint against you.

- Report lawsuits or threatened lawsuits immediately. Contact WFGIA on the same day and deliver a copy of any notice you've received.
- Once you become aware of a lawsuit or threatened lawsuit, do not comment on the case, its facts, or allegations to the client, client's lawyer or representative, or any other third party, unless instructed otherwise. Above all, don't argue with clients.
- If you are notified, even verbally, of a death claim or policy claim, get details and contact the insurance company claims department immediately with the pertinent information. It's also good practice to advise the claimant to contact the insurance company claims department directly, as a backup.
- While you may assure the claimant that the insurance company will process the claim, never guarantee or imply that the claim will, in fact, be paid, or how much or when. The final payment or determination of the claim will be communicated in writing by the insurance company.
- Assist in getting information or documents requested by the Claims Department when asked.
- Deliver the check promptly to the beneficiary if the insurance company sends the claim check to you.

Processing an insurance claim can be a complex process. For example, the claim could be delayed by a necessary investigation. There could also be questions regarding the proper beneficiary, or other factual or contractual issues. Depending on the type of policy and its status, e.g. outstanding policy loans, the insurance company will have to verify the exact amount of benefit payable. In rare instances, the policy may be contested by the insurance company for misrepresentation or the claim could be denied for fraud. In any event, the insurance company will communicate the final payment or determination of the claim writing.

Handling Client Communications

Maintaining a good filing system can help avoid problems later on. Some good practices could include:

- A separate file for each client. A complete client file includes copies of all sales materials used, correspondence, fact finders, needs analysis, disclosure forms, illustrations, applications, etc.
- Master compliance files: This should include all sales materials approvals, records of audits, WFGIA insurance guide, bulletins or memos, and other relevant materials such as an insurance company agent guide

Supervision

WFGIA is committed to maintaining ethical market conduct and sales practices. Guides, such as this insurance guide, are meant to provide guidance and suggestions for a variety of situations, but may not be able to address all possible situations that you, as an agent, may face in your day to day activities. Furthermore, there may be situations where an agent may require supervision, or may require some form of monitoring. If you function in the capacity of a supervisor it is your responsibility to understand any and all requirements of your role.

If WFGIA or an insurance company believes that an agent has failed to comply with policies, procedures or established guidelines one or more of the following steps may be taken:

- Training or retraining may be initiated
- An agent's sales may be monitored for a period of time
- Compensation may be appropriately adjusted (including moving to "as earned")
- A verbal or written warning may be issued
- The agent's contract and/or appointment with the insurance company may be suspended or terminated, and/or the agent's affiliation with WFGIA may be suspended or terminated

Code of Professional Conduct for Agents

WFGIA is committed to treating our clients fairly and ethically. That is why we have adopted this Code of Professional Conduct (Code) for our agents. WFGIA agents have a responsibility to treat clients and other agents fairly and ethically. Failure to adhere to these principles may result in disciplinary actions, up to and including termination.

Principles

WFGIA commits itself, and requires its agents to:

- Conduct business according to high standards of honesty and fairness and treat our clients and agents as we would expect to be treated
- Provide competent and client-focused sales and service
- Compete fairly
- Provide advertising and sales material that is clear, honest and fair
- Handle client complaints and disputes fairly and promptly
- Maintain a system of supervision and monitoring reasonably designed to demonstrate WFGIA's commitment to and compliance with these principles

In addition, WFGIA has adopted the following policies specific to the company's individually sold life insurance, annuity and long term care insurance (hereby referred to as "insurance products"). It is the policy of WFGIA, in the sale of its insurance products, to meet the needs of its clients.

WFGIA commits itself and requires agents to:

- Enter into life insurance transactions that assist clients in meeting their insurable needs and objectives
- Provide recommendations to purchase individually sold annuities, life insurance or long term care that are suitable based upon relevant information obtained from clients
- Maintain a process to comply with laws and regulations that are related to this Code in the marketing and sale of insurance products or related to the running of an insurance business
- Proactively seek to improve the life insurance industry's practices for marketing and sales of insurance products
- Adopt and support the concepts in this Code
- To disclose any violations of this Code so that WFGIA may take corrective action when deemed applicable

Use Qualified and Trained Agents

- Agents will be of good character and business repute and have the appropriate qualifications implemented by WFGIA.
- Agents will be licensed, appointed (where necessary), and meet other applicable state requirements required to solicit insurance products.
- Agents will be properly trained on how to comply with laws and regulations, WFGIA procedures, and with this code, as appropriate.

- Agents will be familiar with information that WFGIA makes available about WFGIA's approved product(s) and the features and operations of the product(s). The information may be provided or made available through various methods, including sales, marketing, or other descriptive product materials; manuals; training or training materials; software; websites or system based information; or other appropriate means.
- Agents shall participate in continuing education designed to provide current knowledge regarding products, industry issues, and emerging trends.

Compete Fairly

- To engage in fair and active competition in the marketing and sales of insurance products, WFGIA and its agents will:
  - Maintain compliance with the applicable state and federal laws fostering fair competition
  - Refrain from disparaging competitors
- For sales involving the replacement of an insurance product, agents will:
  - Provide clients with information they need to ascertain whether a replacement is appropriate, including reasons why it may not be appropriate

Sell Fairly and Use Clear and Accurate Sales Materials

- Advertising and sales material that is designed to lead to sales or solicitation of insurance products should be presented in a manner consistent with the needs of the client. Such advertising and sales material will be based upon the principles of fair dealing and good faith and will have a sound basis in fact.
- Materials presented as part of the sale must be clear and understandable in light of the complexity of the product being sold.
- Materials are not permitted to be used in the sale of insurance products unless they are reviewed and approved by WFGIA for compliance with this Code and with applicable laws and regulations related to advertising, unfair trade practices, sales illustrations, and other similar provisions.
- Only pre-approved Provider materials can be used.

Appropriately Handle and Monitor Complaints

- Client complaints will be identified, evaluated and handled in compliance with applicable laws and regulations.
- Policies and procedures will be maintained, adhered to and designed to reasonably assure that client complaint information gathered is analyzed, efforts are made to eliminate the root cause, and that good faith efforts are made to resolve complaints and disputes.

Data Protection Policies Supplement

This Data Protection Policies Supplement outlines the obligations between you and the Company as it relates to your Processing of Protected Information, as defined below.

Definitions

For purposes of this Supplement, the following definitions apply:

- Affiliate means any legal entity that controls, is controlled by, or that is under common control with a party.
- Applicable Data Protection Law means any privacy, security, or other related law or regulation (including any amendments or binding sub-regulatory guidance related thereto) that protects Company information or relates to Processing. Such laws may include, but are not limited to: the California Consumer Privacy Act; the New York Department of Financial Services Cybersecurity Rule; the Health Insurance Portability and Accountability Act of 1996; the Gramm-Leach-Bliley Act; and the Fair Credit Reporting Act; any other applicable privacy or cybersecurity laws. Applicable Data Protection Law includes Mandatory Use Restrictions as defined below.
- Process or Processing includes any access to, and/or any collection, receipt, use, disclosure, sharing, transmission, disposal, maintenance, or storage of Protected Information (as defined below).

- Protected Information means any Company information Processed by you that is subject to Applicable Data Protection Law, and includes both Sensitive Business Information and Personal Information.
- Sensitive Business Information means the business-related information of the Company that, if tampered with or disclosed without authorization, could cause a material adverse impact on the business, operations, or security of the Company.
- Personal Information means, in addition to any definition under Applicable Data Protection Law, any personally identifiable information that identifies, relates to, describes, is capable of being associated with, or could reasonably be linked, directly or indirectly, to any individual or a household, including, but not limited to: name; email address; telephone number; age or date of birth; gender; demographic information; marketing preferences; Social Security number; alien identification number; credit or debit card numbers; other financial account numbers; application data; credit history; financial information; driver's license number; other unique identifier or authenticator; health insurance or medical information; biometric information; IP addresses; internet or other electronic network activity information; geolocation data; audio, electronic, visual, thermal, olfactory or similar information; professional or employment information; education information; consumer report information; and data about transactions or experiences with the Company or any marketing partner of the Company. The term "individual" for purposes of this definition includes, but is not limited to, a client, client, employee, or contractor of the Company.
- Services means those services provided by you under any Agreement(s).

Processing of Protected Information

In the course of performing Services under any Agreement with the Company:

- Use Limitations. You will only Process Protected Information in accordance with Applicable Data Protection Law and the terms of the Agreement(s), as modified by this Data Protection Policies Supplement.
- Minimum Necessary. You will limit your Processing of Protected Information to only the information that is necessary to perform the Services.
- Access Limitations. You will limit access to Protected Information to only those individuals who have a need to know such Protected Information to perform the Services. You will instruct all such individuals as to the obligations set forth in this Data Protection Policies Supplement and shall be responsible for their compliance thereto.
- Sale of Protected Information. You will not sell any Protected Information to any third party. "Sell", for purposes of this Section, is used as defined under any Applicable Data Protection Law.
- Consumer Requests. You will comply with the requirements of Attachment A, "Consumer Requests", attached hereto and incorporated herein.
- Information Security Program. In the course of any Processing of Protected Information, you will comply with the requirements of Attachment B, "Information Security Program", attached hereto and incorporated herein.
- Use of Subcontractors. Nothing in this Data Protection Policies Supplement modifies any limitation on your use of subcontractors, or any direct rights for the Company to audit or participate in an audit of your subcontractors, to the extent such rights are present in any Agreement between the Company and you.
    - Subcontractor Flow downs. Wherever you are permitted and use any subcontractors in the performance of the Services, you will require that such subcontractors agree in writing to terms no less stringent than those set forth in this Data Protection Policies Supplement. You will further ensure that any and all downstream subcontractors who Process Protected Information, regardless of whether the Company permits or authorizes such subcontractor, are bound to equivalent terms, as applicable.
    - You Remain Responsible. In all cases where you use subcontractors to perform Services involving Protected Information, you will remain responsible for all obligations set forth in this Data Protection Policies Supplement and any violations thereof.
- Disposal of Protected Information. You will, upon termination of the Agreement or as otherwise provided in this Data Protection Policies Supplement or the Agreement, securely return or destroy all records, electronic or otherwise, containing any Protected Information. Disposal may be achieved, at the Company's option, through delivery of all copies of such records to the Company or through destruction in a manner that renders the records unreadable and indecipherable by any means consistent with Applicable Data Protection Law. Upon the Company's request, you will provide written confirmation of the disposal of Protected Information consistent with this Section.

- Notification of Legal Requests for Protected Information. You shall notify the Company as soon as reasonably practicable upon receipt of a lawful legal order or process compelling the disclosure of Protected Information to any governmental authority or other third party. You will not disclose Protected Information in response to a lawful legal order or process (a "Production Request") without providing the Company at least forty-eight (48) hours following your notice to enable the Company to exercise such rights as it may have under applicable law to prevent or limit such disclosure. You shall exercise commercially reasonable efforts to prevent and limit any such disclosure and to otherwise preserve the confidentiality of the Protected Information, and will cooperate with the Company with respect to any action taken with respect to such Production Request, including to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded to the Protected Information. Notwithstanding the foregoing, you will be excused from complying with this Section to the extent expressly prohibited by applicable law or the lawful legal order or process.

General Provisions

- Effect on Agreement. The requirements of this Data Protection Policies Supplement are in addition to, and supplement, any terms set forth in the underlying Agreement(s). To the extent of a conflict between this Data Protection Policies Supplement and any Agreement, the standard that is most protective of Protected Information shall govern resolution of the conflict.
- Severability. If any provision of this Data Protection Policies Supplement is determined to be invalid, illegal, or unenforceable, the remaining provisions of the Data Protection Policies Supplement and the Agreement will remain in full force and effect so long as the underlying purposes and rights under the Agreement are not materially modified as a result of the removed provision.
- Survival. To the extent that and so long as you retain any Protected Information following any expiration or termination of the Agreement and this Data Protection Policies Supplement, the rights of the Company and obligations of you hereunder will survive such expiration or termination.
- Compliance with Law. Each party to this Data Protection Policies Supplement agrees to comply with all applicable law concerning the Protected Information, including Applicable Data Protection Law. No party hereunder may request any other party to use or disclose Protected Information in a manner that violates any applicable law.
- Injunctive Relief. You acknowledge that a breach of this Data Protection Policies Supplement will cause the Company irreparable harm without an adequate remedy at law, and that the Company is entitled to seek injunctive relief to prevent or limit the effect of any such breach.
- Your Express Certification of Understanding and Agreement to the Data Protection Policies Supplement. By executing this Data Protection Policies Supplement, you certify that you understand and agree to the provisions set forth herein, including its Attachments. You represent and warrant that the individual agreeing to the Data Protection Policies Supplement has all necessary authority to legally bind you and certify as to your understanding and agreement to the terms hereof.
- Updates in Applicable Data Protection Laws. If and to the extent the Company is currently or subsequently designated under any Applicable Data Protection Law or other applicable law as a controller, processor, fiduciary, data fiduciary or is otherwise mandated to impose limitations on the use or Processing of Protected Information ("Mandatory Use Restrictions"), the Company shall inform you of such designation and such Mandatory Use Restrictions in writing and you shall be bound by and shall follow all such Mandatory Use Restrictions as specified by the Company from time to time.

Attachment A - Consumer Requests

Definitions

For purposes of this Attachment A, in addition to the definitions set forth in the Data Protection Policies Supplement, the following definitions apply:

- Consumer Requests means any request by an individual with respect to any Personal Information Processed under the Agreement, including, but not limited to: opt-out requests; requests for access, portability, or deletion; requests to identify or provide details regarding information Processed; and all similar requests under Applicable Data Protection Laws.

Consumer Requests

- On or after January 1, 2020, if you receive an inquiry regarding the submission of a Consumer Request pertaining to any Personal Information Processed under the Agreement, the parties agree that you shall, at no additional cost, contemporaneously direct the inquiring party to both the Company's dedicated toll free number of 1-877-247-2401 and www.transamerica.com in order to allow the individual to begin the Consumer Request submission process.

- Additionally, you shall:
    - On or after January 1, 2020, direct any individual who has already submitted a Consumer Request to the Company's dedicated toll free number of 1-877-247-2401 and website, www.transamerica.com in order to allow the individual to follow up directly with the Company on the status of the submitted Consumer Request.
    - Log the information pertinent to the Consumer Request inquiry in your books and records.
    - At the end of every business day, provide to the Company a report listing each Consumer Request inquiry, which at a minimum would include the date and time each Consumer Request was received, and the full name, policy or account number(s), date of birth, and address for each inquiring individual.
- Where you receive a complaint related to the Personal Information Processed under the Agreement, including, but not limited to, allegations that the Processing infringes on an individual's rights under Applicable Data Protection Law ("Processing Complaint"), you will promptly (and in all cases within two (2) business days of receipt), notify the Company of such a Processing Complaint in writing, unless specifically prohibited by Applicable Data Protection Law.
- You will at no additional cost: (a) implement appropriate processes to assist the Company in timely responding to any Consumer Requests or Processing Complaints; (b) cooperate fully with the Company with respect to, and facilitate the Company's timely authentication, recording, investigation, processing, execution, and resolution of all such Consumer Requests and Processing Complaints, as well as authenticating the consumer, where appropriate; and (c) provide any information requested by the Company that is reasonably responsive to a Consumer Request as soon as reasonably practicable, but in all cases within five (5) business days.
- You agree that to the extent you provide information to the Company in response to a Consumer Request, it will be provided in a format reasonably specified by the Company or as otherwise agreed to by the parties, which shall include, but not be limited to, securely transferred PDF files.
- If you and the Company have not already set up a secure method of file transfer reasonably specified by the Company, the parties agree that such methodology will be set up prior to the transmission of any information pertinent to a Consumer Request to the Company.
- In the event you receive a Consumer Request not related to the Personal Information Processed under the Agreement, the parties agree that such Consumer Request will be subject to your own internal business practices, and is not subject to the terms of the Data Protection Policies Supplement and this Attachment A, and further, that no Personal Information Processed under the Agreement will be provided by you in response to any such Consumer Request.
- You agree that if an individual who has already submitted a Consumer Request to the Company inquires to you about the status of the Consumer Request on or after January 1, 2020, that you will direct the Consumer to the Company's dedicated toll free number of 1-877-247-2401 and website, www.transamerica.com, in order to allow the individual to follow up directly with the Company on the status of the submitted Consumer Request.

Attachment B - Information Security Program

The Company has implemented a third-party risk management program to assess and monitor the performance of its service providers and the processes and controls used by those service providers to safeguard Protected Information

Definitions

Unless defined in this Section or elsewhere in this Data Protection Policies Supplement, all terms (whether capitalized or not) will have the meanings set forth under Applicable Data Protection Laws, or, where undefined in law, as otherwise as used in prevailing cybersecurity controls frameworks.

- Cybersecurity Event means any act or attempt, successful or unsuccessful, to gain unauthorized access to, disrupt, or misuse a system containing Protected Information; provided, however, that a Cybersecurity Event will not include trivial and routine incidents such as port scans, pings, and other broadcast attacks, so long as they do not materially affect the confidentiality, availability, or integrity of the system or the Protected Information in the system

General Requirements

You will comply with the following cybersecurity requirements where you Process any Protected Information.

- Risk Assessment. You agree to furnish all information reasonably requested by the Company in order to conduct an assessment of your data security risks. Such information may include a comprehensive information security questionnaire ("Questionnaire"), excerpts of relevant information security policies describing components of your Cybersecurity Program, and/or any other information agreed upon by the parties. The Company agrees to limit its requests for a Questionnaire to no more frequently than once per year, provided that the Company may request additional relevant information at any time, and the Company may request a new or updated Questionnaire in response to a Cybersecurity Event experienced by you and/or the identification of any practices that materially deviate from information previously submitted by you.
- Minimum Cybersecurity Requirements. With respect to any information technology systems involved in the Processing of Protected Information, you represent and warrant that you will at all times have and maintain an information security program (the "Cybersecurity Program") containing administrative, technical, and physical safeguards designed to ensure the security of Protected Information. Such Cybersecurity Program will be based upon and substantially consistent with industry-accepted cybersecurity principles and practices, such as those set forth in the International Organization for Standardization (ISO) 27002, the National Institute of Standards and Technologies (NIST) Cybersecurity Framework, the Control Objectives for Information and Related Technology (COBIT) 5, or other relevant and industry-recognized cybersecurity controls frameworks. Your Cybersecurity Program will also comply with all then-current Applicable Data Protection Law and the requirements of Section 2.2.1 of this Attachment B. In the event of a change to Applicable Data Protection Law, you will update your Cybersecurity Program as of the date of the required change. Where reasonably practicable, the Company will provide advance notice of such change. In addition and subject to Section 2.2.2 of this Attachment B, the Company may, from time to time, establish additional reasonable cybersecurity requirements ("Requirements"), and you will promptly implement such Requirements into your Cybersecurity Program with respect to Protected Information. You represent and warrant that your business activities will comply in all material respects with your Cybersecurity Program.
    - Notwithstanding anything else to the contrary in this Data Protection Policies Supplement, the Agreement, or any other agreement by the parties, you shall, at a minimum, incorporate the following Requirements into your Cybersecurity Program:
        - Multi-Factor Authentication. Any information technology systems that contain Protected Information must be subject to effective access controls. Such effective access controls must include multi-factor authentication: (a) in all cases where access is from outside of your internal network, and (b) in such other specific cases as reasonably directed by the Company.
        - Encryption in Transit. Any Protected Information sent over public networks must be encrypted using then-current and appropriately secure encryption algorithms, tools, and techniques.
        - Encryption at Rest. Any Protected Information stored in your internal network and devices must be encrypted using then-current and appropriately secure encryption algorithms, tools, and techniques in all situations where reasonably directed by the Company.
        - Cybersecurity Event Response. You will take such steps as reasonably necessary to contain, investigate, mitigate, and remediate any Cybersecurity Event affecting the Company information technology systems and/or Protected Information, including remediation of any underlying failures or vulnerabilities. Where the Company determines in its sole discretion that it is necessary to participate in the investigation of a Cybersecurity Event, you will reasonably cooperate with the Company in such investigation. You agree to furnish artifacts evidencing the remediation of all underlying failures and/or vulnerabilities identified in a Cybersecurity Event.
        - Notice of Cybersecurity Events. You will provide notice to the Company as soon as reasonably practicable following identification of a Cybersecurity Event, but in no event, within forty-eight (48) hours upon discovery of a Cybersecurity Event. Such notice will include information reasonably sufficient to allow the Company to meet its own breach notification obligations under Applicable Data Protection Law, to the extent such information is then available, and will at a minimum describe the nature and scope of the Cybersecurity Event and any Protected Information involved in the Cybersecurity Event. If any such information is not available as of the initial notice, you will furnish such information promptly upon obtaining it. You agree to provide additional information related to the Cybersecurity Event where reasonably requested by the Company.

    - Subcontractor Requirements and Oversight. Your Cybersecurity Program will include oversight by you of your subcontractors and their compliance with the applicable requirements of your Cybersecurity Program wherever the Processing of Protected Information occurs. You will require that such subcontractors agree in writing to cybersecurity requirements no less stringent than the Requirements (including any alternative compensating controls established pursuant to Section 2.2.2 of this Attachment B). You will further ensure that any and all downstream subcontractors who Process Protected Information are bound to equivalent oversight and controls requirements, where applicable. Nothing in this Section modifies any limitation on your use of subcontractors, or any direct rights for the Company to audit or participate in an audit of your subcontractors, to the extent such rights are present in any other agreement between the Company and you.

  - For any Requirement except those specified under Section 2.2.1, where the parties reasonably agree that such Requirement is unduly onerous in light of the Services provided and the risks to Protected Information, the parties will work together in good faith to determine whether appropriate alternative compensating controls may be used to meet the spirit and goals of the Requirements, or if a Requirement may be waived entirely, provided that in all cases, use of alternative compensating controls and/or any waiver of a Requirement is subject to the Company's sole reasonable discretion and any reasonable conditions thereon imposed by the Company. Any approval of alternative compensating controls or other waiver of any Requirement will be void in the event that such approval is based upon any inaccuracy or misrepresentation by you in describing your own controls or the underlying risks to Protected Information. No waiver of any Requirement will constitute an agreement to any future waiver of the same Requirement and the Company may revoke its agreement to a waiver of a Requirement and/or alternative compensating controls at any time upon reasonable advance notice. No modification of a Requirement described in Section 2.2.1 is permitted under this Section.

- Periodic Review. In addition to the information requested in Section 2.1, the Company may request such reasonable additional information as it determines, in its own reasonable discretion, that it requires in order to conduct appropriate oversight of you. You will promptly and fully respond to such requests.

- Audit. Unless and to the extent otherwise agreed to by the parties in the Agreement(s), you agree to permit the Company to conduct reasonable cybersecurity audits on you, within reasonable business hours and upon reasonable advance written notice, to confirm your compliance with this Data Protection Policies Supplement. Cybersecurity audits by the Company will be limited to no more frequently than once per year, provided that the Company may conduct additional targeted audits ("Targeted Audits") in response to (a) a Cybersecurity Event, (b) any identified material deviation from your Cybersecurity Program, a Requirement, or an agreed-upon alternative compensating control, or (c) any other material inaccuracy or misrepresentation about the controls and/or underlying risks applicable to Protected Information made by you. Each party will bear its own costs with respect to such audits, except for Targeted Audits, in which cases you will reimburse the Company for its reasonable, direct, out-of-pocket costs incurred in the course of the audit.

  - SOC 2 Type II Reports. Where available, you will furnish a copy of a current System and Organizations Controls 2, Type II report (Report on Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality or Privacy) or equivalent direct successor report (a "SOC 2 Type II"), including description of the Trust Services principles assessed and any scope limitation under such report. Subject to the Company's reasonable review and acceptance of your submitted SOC 2 Type II report, the Company's audit right under this Data Protection Policies Supplement will be deemed satisfied by the SOC 2 Type II report, but only with respect to those controls assessed within the defined scope of the report. The Company may also, at its sole option, agree to accept an alternative third-party assessment or certification of your Cybersecurity Program, such as a PCI-DSS Attestation of Compliance or HITRUST certification, in lieu of exercising its right (or some portion of that right) to audit.

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