

## Important reminder about fronting (ghostwriting)

392NB

**Date:** December 16, 2021

We would like to provide you with a reminder about fronting/ghostwriting. This topic is an important insurance concern and an activity prohibited by North American and the laws of many jurisdictions. [Regulatory agencies take this activity very seriously and violations can have severe consequences.](#)

Fronting can occur when an agent signs paperwork for an annuity or life insurance sale solicited by someone else. This typically happens when an appointed agent works with another agent who is not appointed with North American. In this scenario, the non-appointed agent solicits the sale to the consumer. The appointed agent then signs the application materials as the writing agent (giving the appearance that the appointed agent solicited the sale and described the product). This situation can also exist based on a commission split created by a firm.

Fronting is prohibited by the laws of many jurisdictions and North American requires that only agents appointed with us describe our products to prospective applicants. Your signature as the agent certifies that the information submitted is true and accurate and we rely on that information when making a determination about the issuance of a product. Failure to comply with these requirements may result in rejection of new business, termination of your appointment with North American, commission chargeback, and/or a referral to an applicable regulatory agency.

Fronting can have severe consequences for you, your customers, and to our company. Please refer to the section on this topic from North American's compliance guide:

*"Only the licensed agent who solicited the business at the time of sale may sign the application and must explain the product to the customer. The signing of an application by a non-soliciting agent is prohibited. You should only sign the application if you personally solicited the sale. By signing the application and other sales documentation, you are taking responsibility for the sale and the information provided. Your signature on the application is your personal assurance that the information supplied therein is, to the best of your knowledge. [The Company,] as well as the regulations of many states, requires that the agent signing an application be the same agent that meets with the*

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*customer, explains the product to the customer and delivers the contract to the customer. If another agent assisted in the sale, he or she should also sign the application- even if they are not taking any commission.”*

### **What should you do?**

- Only sign applications and other materials if you solicited the sale and explained the product to the applicant. Don't sign the application if the product was solicited by someone else (even if they are appointed or work in your office).
- Understand that by signing, you are taking full responsibility for the sale and certifying that the information submitted is correct.
- If another agent assisted in the sale, have the second agent sign the application, even if they are taking 0% commission. This makes the role of the parties clear to everyone.
- If you are a corporate officer, office administrator, etc., do not sign the application unless you personally solicited the sale.
- If you have an assistant, remember that they are to “assist.” The customer should have no confusion as to who is their agent is and what role you play in the application process.

Complying with these requirements helps protect you, your/our customers, and North American. We appreciate your continuing commitment to professionalism and thank you for your business.

**If you have questions about this bulletin, please contact the Compliance Investigations Team at 800-923-3223 or [Compliance@sfgmembers.com](mailto:Compliance@sfgmembers.com) and/or reference our current compliance guide.**

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