



# Producer Sales Practices Manual

**FOR AIG EMPLOYEES AND APPOINTED PRODUCERS WITH:**

American General Life Insurance Company, Houston, TX

The United States Life Insurance Company in the City of New York



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## Introduction

**This Producer Sales Practices Manual (“Manual”) documents guidelines and procedures for the business conduct of certain Producers in the solicitation and sale of products issued by American General Life Insurance Company, Houston, TX, and The United States Life Insurance Company in the City of New York (collectively, the “Company”).**

References to “Producer(s)” in this Manual includes every individual, who is employed by or appointed with the Company, or who sells any of the Company’s products, whose conduct in connection with the solicitation or sale is not otherwise governed by compliance procedures enforced by the Broker-Dealer with which the Producers are affiliated.

This Manual will be revised periodically. Producers must retain and comply with the most current version of this Manual, which can be obtained on the Company’s website(s). Any revised version of the Manual will supersede any earlier version. It is the Producer’s obligation to understand and comply with applicable laws and regulations and to stay abreast of any changes imposing additional requirements on the Producer. This Manual is not intended to be an all-inclusive compilation of Producers’ responsibilities, nor is it intended to replace any sales practices or compliance manual that has been provided to Producers by their Broker-Dealer with whom they are affiliated. Additionally, various topics may be addressed or further detailed in field communications or other communications from the Company. This Manual does not relieve the Producer of any obligations imposed on Producers by applicable state or federal law, contract, Company policies, or the legal and ethical obligations that Producers may otherwise have toward individual customers.

## Related Policies and Procedures

This Policy may be supported by Standards, Procedures, Guidelines or other policy-related documents, in which case this Policy must be read in conjunction with them. Below please find a non-exhaustive list of related documents to be read in conjunction with this manual:

- AIG Global Anti-Money Laundering Policy
- AIG Life and Retirement Anti-Money Laundering and Economic Sanctions Policy
- AIG Global Antitrust and Competition Law Policy
- AIG Global Information Handling Policy
- AIG Global Records and Information Management Policy
- AIG Life and Retirement Approval of Advertising and Sales Material Policy
- AIG Life and Retirement Approval of Advertising and Sales Material Standards

**If you have questions concerning the applicability of any provision in this Manual, please immediately contact your AIG representative or the Compliance Department.**

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## **I. Producer Code of Conduct**

You must act with integrity, competence and utmost good faith in the solicitation, sale and distribution of Company products, in the maintenance of customer relationships, and in dealings with the Company.

1. You must ensure that customers receive all information needed to make informed choices during and after the solicitation process. This is accomplished through verbal and written communications that are clear, complete, honest, relevant, factual, and comply with regulatory requirements.
2. You must only recommend insurance and/or annuity products that you, the Producer, deem appropriate for the needs of the customer, complying with the standard of care applicable to the transaction.
3. You must clearly explain to customers your role as a Producer appointed by and acting on behalf of the Company.
4. You must disclose to the Company full and accurate information required for effective underwriting, policy administration, claim resolution, annuity suitability review/standard of care, and other relevant matters.
5. You must avoid conflicts of interest in dealings with customers and with the Company. The duty to mitigate perceived conflicts of interest is ongoing and requires immediate action from you to address perceived conflicts (see “Standard of Care” section of this Manual).
6. You must manage, monitor and control your employees, staff and contractors to ensure both yours and their compliance with these policies.
7. You must behave in a courteous and professional manner in all dealings with Company personnel.
8. You must comply with the letter and spirit of applicable laws and regulations.
9. You cannot impersonate the customer or utilize the customer’s personal information or password(s).

The Company will hold you accountable if you do not fulfill obligations or requirements set forth in your agreements with the Company, in Company communications to the field, in directives to you from the Company, in Company policies and in this Manual.

## **II. Policy Regarding Supervision of Producers**

The Company has implemented supervisory structures appropriate to its distribution channels. Where the Company has not delegated supervision to a firm, a Producer’s primary supervisory relationship with the Company is defined by the Producer’s selling agreement. That contract sets forth the Producer’s obligation to follow the policies and procedures of the Company, including those contained in this Manual.

The Company maintains an appropriate structure for the supervision of Producers that is appropriate and applicable to its various distribution channels. The Company monitors the activities of Producer processes, including but not limited to, monitoring regulatory inquiries, customer complaints and regulatory and company reports to identify particular issues and trends. In cases where the Company’s monitoring of activities identifies potential supervisory issues related to a Producer, the Company reserves the right to implement proper disciplinary procedures (see “Discipline for Policy Violations” section of this Manual).

Where the Company has delegated supervision to a firm, a Producer’s primary supervisory relationship will be managed by that firm for the Company. The Company will supervise the delegated supervision function, monitoring and, as appropriate, conducting audits to ensure that the supervision function that has been delegated by contract is properly performed.

## **III. Producer Appointment and Licensing Standards**

### **A. All Producers Must Be Properly Licensed and Appointed**

Each state has its own set of licensing and appointment requirements with which Producers and the Company must comply in order to transact business. Producers are prohibited from selling or engaging in any sales activity without being properly licensed, appointed and trained in accordance with the requirements of the state where the solicitation takes place, the application is written, and the policy or contract is delivered. Violations of these requirements may result in disciplinary action and penalties imposed by the state, including fines and revocation of licenses.

In addition, Producers selling registered products must consult their Broker-Dealer’s compliance manual or other information provided by the Producer’s Broker-Dealer to ensure full compliance with the laws and regulations applicable to the sale of such products.

## **B. Licensing Status**

Producers are responsible for maintaining their insurance license(s), which includes, but is not limited to the timely completion of any continuing education requirements.

Producers must immediately inform the Licensing and Commissions Department of any license suspension, revocation or any other disciplinary action against them. When requested by the Licensing and Commissions Department, Producers are required to provide copies of any licensing forms or associated documents sent to or received from the state insurance department.

## **C. Contracting and Appointment Standards**

Determining whether candidates are contracted and appointed is within the sole discretion of the Company. The Company reserves the right to refuse or accept candidates for any reason.

## **D. Special Provisions Applicable to Candidates Convicted of Certain Felonies**

Federal law 18 USC §§ 1033(e)(1)(A) and (B) prohibits a company from appointing any individual who has been convicted of any felony involving dishonesty or a breach of trust, without the specific written consent of the appropriate insurance regulatory officials. The Company reserves the right to refuse to appoint candidates who have been convicted of any crime, to the extent permitted by applicable law. Individuals convicted of felonies described in this paragraph may be appointed only with the approval of the Company and with the specific written consent of the applicable insurance regulatory officials. In addition, all appointed Producers are required to immediately report to the Compliance Department their conviction of a felony to ensure continued compliance with the law.

## **E. Appointment Termination and Notification**

If at any time the Company determines that the Producer does not satisfy the Company's standards for appointment, the Company may take disciplinary action, including but not limited to the termination of the Producer's employment and/or appointment(s) with the Company, and its affiliates.

The Company will inform the Producer of the date on which the Producer's sales contract or appointment, or employment is terminated.

# **IV. Training and Continuing Education**

## **A. Understanding Company Products**

Producers must fully understand the features and operation of the products offered by the Company. To help position Producers to serve customers, the Company has created a library of marketing material and training modules to supplement the contract and/or prospectus. Combined, this material sets forth the relevant features, including costs and benefits, of the Company's products as well as the operation of such products.

The Company regularly updates its product information and makes such updated information available to its Producers. The Company requires that Producers obtain, regularly review and be guided by the product information available from the Company.

## **B. Compliance Training**

As a matter of personal development and good business sense, it is incumbent upon every Producer to understand fully the compliance environment in which we all must operate. Producers are expected to complete in a timely manner all required Compliance training, including state suitability and standard of care training. This Manual provides Producers with vital compliance information with which each Producer must be thoroughly familiar.

## **C. Continuing Education**

Many states require that Producers participate in continuing education prior to solicitation and/or as a condition to retaining their insurance licenses. Producers are individually responsible for completing in a timely manner any required continuing education and maintaining their licenses.

# **V. Standard of Care**

The needs of the customer are paramount and must be considered in connection with every sale. Producers must ensure that products are suitable for or in the best interest of the customer, as required by applicable laws, regulations and regulatory guidance.

Whether a product helps to meet the needs of a particular customer may depend upon a number of factors, including, but not limited to, the customer's financial status, the customer's needs, and the customer's personal and/or business objectives, the benefits of the product proposed and the cost of existing policies. Consistent with the Company's standards, Producers must only suggest to customers those products that may reasonably help them meet their insurance or financial needs and objectives and are consistent with their willingness to accept risk.

## **A. State Annuity Suitability Standard and Best Interest Standard in Certain States**

### **1. Suitability Standards**

Many states have adopted regulations related to annuity suitability assessment. Accordingly, in those states in which such laws are applicable, prior to recommending a purchase, exchange or replacement of an annuity, the Producer shall obtain the customer's suitability information including, but not limited to, the customer's age, annual income, financial objectives, financial time horizon, net worth, liquidity needs, risk tolerance, etc. The Producer must have reasonable grounds for believing that a recommendation is suitable for the customer on the basis of the suitability information provided.

In the case of an exchange or replacement of an annuity, the Producer must take into consideration, among other factors, whether the customer will incur a surrender charge, be subject to the commencement of a new surrender charge period, lose existing benefits (such as death, living or other contractual benefits), or be subject to increased fees, investment advisory fees or charges for riders and similar product enhancements. Further, the Producer must take into consideration whether the customer would benefit from product enhancements and improvements and how recently the customer has had another exchange or replacement.

### **2. New Best Interest Standard**

Several states have amended or are in the process of amending existing state annuity suitability regulations to include a best interest component.

In addition to the suitability requirements previously mentioned, these new regulations require that the Producer act in the best interest of the customer without placing the Producer's or the insurer's financial interest ahead of the customer's interest. The Producer must act with reasonable diligence, care and skill in making recommendations. These regulations also require the Producer to document the basis for a recommendation and conduct an enhanced analysis of replacement transactions.

The Producer has acted in the best interest of the customer if the following four obligations have been satisfied:

- a. Care Obligation.** The Producer must (i) know the customer's financial situation, insurance needs and financial objectives, (ii) understand the available recommendation options, (iii) have a reasonable basis to believe the recommendation effectively addresses the customer's financial situation, insurance needs and financial objectives, and (iv) communicate the basis of the recommendation to the customer.
- b. Disclosure Obligation.** Prior to the recommendation or sale of an annuity, the Producer must disclose to the customer the Producer's role in the transaction and the compensation to be received. This obligation will be satisfied by completion of an Agent Disclosure Form provided for under the new regulation.
- c. Material Conflicts of Interest Obligation.** The Producer shall identify and avoid or manage and disclose any material conflicts of interest. The new regulations are designed to minimize such material conflicts and bring transparency to compensation. For example, the way the Producer is compensated and the Producer's "shelf limitations" are disclosed on the form in Disclosure Obligation section above. Also, the regulation does not require that the product with the lowest compensation be recommended. It is also important to note that sales contests, sales quotas, bonuses, and non-cash compensation based on the sale of specific annuities within a limited period of time are not allowed under the new best interest standard. This prohibition includes non-cash benefits such as health insurance, office rent, office support, or retirement benefits or other employee benefits, unless based on general incentives regarding sales of a company's products with no emphasis on any particular product.
- d. Documentation Obligation.** At the time of the recommendation, the Producer must document, in writing, any recommendation and the basis for such recommendation. The documentation is not required to be provided to the customer, but the Producer must retain the documentation for the length of time required for such documents in the state of where the application was taken.

## **B. Suitability and Best Interest in Life Insurance and Annuity Transactions (New York Regulation 187)**

When recommending the sale of annuities or life insurance, the Producer must act in the best interest of the customer and appropriately address the needs and financial objectives of the customer. Only the customer's interests can be considered in making the recommendation; the Producer's receipt of compensation or other incentives must not influence the recommendation.

The Producer is required to:

- Determine that the annuity or life insurance is suitable and in the customer's best interest;
- Inform the customer of the product features and potential consequences of the sales transaction, both favorable and unfavorable;
- For replacement transactions, explain the advantages and disadvantages of replacing the existing annuity or life insurance;
- Document the basis for any recommendation made and the facts and analysis to support that recommendation; and
- Provide certain disclosures to the customer, including:
  - o The manner in which the Producer is compensated; and
  - o The basis for the recommendation

Recommendations with respect to in-force transactions are also subject to a best interest standard.

It is your responsibility, if you are a New York-licensed Producer, to comply with the requirements of New York Regulation 187. Please see the applicable Compliance Bulletin for additional details regarding training and documentation requirements. If requested at the time of audit, the Producer must provide documented disclosures made to the customer.

## **C. SEC Regulation Best Interest**

SEC Regulation Best Interest (Reg BI) requires that recommendations of securities and investment strategies involving securities (including account representations) to a retail customer be in that retail customer's best interest.

Reg BI requires Broker-Dealers, among other things, to act in the best interest of the retail customer at the time the recommendation is made, without placing the financial or other interest of the Broker-Dealer ahead of the interests of the retail customer and to address conflicts of interest by establishing, maintaining, and enforcing policies and procedures reasonably designed to identify and fully and fairly disclose material facts about conflicts of interest.

Firms selling variable annuities and variable universal life insurance policies must (1) clearly disclose the nature of the customer relationship (disclosure obligation); (2) observe a standard of care when making recommendations (care obligation); (3) manage conflicts of interest through disclosure or, if disclosure is insufficient, mitigate or eliminate them (conflict of interest obligation); and (4) establish a supervisory system reasonably designed to comply with Reg BI (compliance obligation).

Additionally, under Reg BI, Broker-Dealers making recommendations of securities transactions or investment strategies involving securities must establish written policies and procedures reasonably designed to identify and eliminate any sales contests, sales quotas, bonuses, and non-cash compensation that are based on the sale of specific securities or the sale of specific types of securities within a limited period of time.

There is a Reg BI "safe harbor" for recommendations and sales of variable annuities, which means that such sales and recommendations made in compliance with Reg BI satisfy the requirements of the state suitability and best interest regulations previously discussed. The safe harbor also extends to recommendations and sales of fixed and index annuities made in compliance with Reg BI, even though Reg BI would not otherwise apply to such sales. Please note, however, that the Reg BI "safe harbor" does not apply to New York Regulation 187. Accordingly, Producers subject to New York Regulation 187 must comply with the specific requirements of that regulation. Be sure to discuss with your firm the standard(s) of care you are obligated to follow for the products you sell.

## **D. Life Insurance Standards of Care**

A Producer should have direct knowledge of the customer's financial situation, objectives and insurance needs. The Producer should understand the available recommendation options and have a reasonable basis to believe the recommendation effectively addresses the customer's financial situation, insurance needs and financial objectives. The Producer must also clearly communicate the basis of the recommendation to the customer. Certain states have standard of care requirements for life insurance transactions, and Producers should be aware of and comply with those standards.

## VI. Fact-Finding Tools

Company-approved fact-finding materials may help Producers formulate questions that will help customers describe their needs, goals and resources, and the Company encourages Producers to use such tools. Fact-finding tools are analytical and information-gathering mechanisms, including questionnaires, financial plans, customer profiles, and capital needs or financial needs analyses. The Company will make available to Producers approved fact-finding tools. Producers who create their own fact-finding tool or wish to use a fact-finding tool not provided to them by the Company must submit the tool for review and approval in advance by the Company. Please refer to the “Advertising/Sales Material” section of this Manual regarding approval of sales materials.

Producers are required to use their knowledge and training to help match a customer’s needs and objectives with an appropriate product. Producers should not recommend a product to a customer unless they have undertaken sufficient fact-finding to develop a recommendation consistent with the customer’s insurance, financial, personal and/or business objectives.

The same fact finder may be utilized for multiple recommendations to the same customer. However, Producers must check to ensure that information contained on the fact finder is up-to-date and that the information on the application and supplemental forms is complete, accurate and consistent with the information on the fact finder.

Producers are reminded that information gathered in connection with fact-finding tools is subject to federal and state laws as well as Company rules concerning privacy. It is of the utmost importance that this information be treated with respect for the confidentiality of the customer. Producers are requested to review the, “Protection of AIG Company Information,” section of this Manual for a more complete description of these requirements.

**Producers should also consult their Broker-Dealer’s compliance manual in connection with the recommendation and/or sale of variable products or other securities.**

## VII. Replacement Policies and Guidelines

### A. The Company’s Position Statement

The Company’s position is that each and every replacement transaction should meet the applicable standard of care with respect to the customer. Determining whether a replacement meets the applicable standard of care requires an analysis of each customer’s needs and circumstances.

Many times, it is to the policyholder’s advantage to keep or modify an existing policy. However, there may be circumstances in which a replacement transaction is appropriate for the policyholder. Producers should never suggest a replacement that is not consistent with the customer’s goals and objectives. Ultimately, it is the customer’s decision whether to proceed with the transaction.

To ensure that the replacement transaction is appropriate, the Company requires Producers to:

1. Understand the definition of replacement;
2. Ask the necessary questions to determine if there is a replacement;
3. Comply with the responsibilities as stated in this document and the appropriate state regulations;
4. Comply with the Broker-Dealer’s replacement policies and guidelines for variable product sales;
5. Assist the Company when investigating undisclosed replacements; and
6. Refrain from engaging in the practice of “twisting” or “churning”.

### B. Definition and Effect of Replacement

Subject to any more restrictive state laws and regulations, the Company defines a replacement to be any transaction in which new life insurance or a new annuity is to be purchased, and Producers know or should have known that because of this transaction an existing life insurance policy or annuity contract has been or is to be in whole or in any part:

1. Lapsed, forfeited, surrendered or partially surrendered, assigned to the replacing insurer or otherwise terminated;
2. Used to finance the purchase of a new life insurance policy or annuity contract. A financed purchase means the purchase of a new policy involving the actual or intended use of funds obtained by withdrawal of, surrender of or borrowing from some or all of the policy values, including accumulated dividends, of an existing policy to pay all or part of any premium due on a new policy either before or after the new policy is issued;
3. Reissued with any reduction in cash value;
4. Amended so as to effect either a reduction in benefits or in the term for which coverage would otherwise remain in force or for which benefits would be paid; or
5. Converted to reduced paid-up insurance, continued as extended term insurance or otherwise reduced in value by the use of nonforfeiture benefits or other policy values.

### **C. Use of Definition**

For each sale, the Producer should look to the appropriate state's replacement definition to determine whether the transaction would be a replacement. If the state's laws define the transaction as a replacement, the Producer should 1) disclose the transaction as a replacement on the application, 2) complete any state required replacement forms; and 3) follow the Company's replacement policies and guidelines. If the transaction is not considered a replacement pursuant to the state's definition, the Producer must still determine whether the sale would be a replacement under the Company's replacement definition. If so, then the Producer should disclose the replacement on the application and follow the Company's replacement policies and guidelines.

### **D. Definition and Treatment of an Internal Replacement**

Internal replacements are transactions where the replacing insurer and the existing insurer are the same or subsidiaries or affiliates under common ownership or control. These transactions are considered replacements for purposes of complying with all state and federal regulations.

### **E. Determination of a Replacement**

Because the law requires Producers to indicate that a transaction is a replacement in circumstances when they knew or should have known about it, the Company requires Producers to exercise diligence in determining if a transaction involves a replacement.

Producers must fully understand the definition of replacement, ask each customer all questions necessary to make such a determination as to whether the proposed transaction is a replacement and provide the customer with all relevant completed and executed Company or state-required replacement disclosures and forms.

### **F. Determination of Appropriateness, Suitability, Best Interest, or Other Applicable Standard of Care**

The Producer's responsibility to determine the advantages and disadvantages of the replacement transaction — and to make a recommendation to the customer complying with the applicable standard of care— can be a complicated process influenced by the customer's needs and objectives, the type(s) of policies or contracts being replaced and purchased, the amount of replacement information obtained, the identification and comparison of the relevant replacement factors, and the standard of care applicable to the Producer for the particular transaction (see IV. Standard of Care).

Replacement transaction comparison factors include, but are not limited to, the following:

1. The advantages and disadvantages of meeting the customer's needs through the purchase of life insurance or annuities;
2. Whether the customer's goals can be better served by keeping or modifying an existing policy or contract;
3. The effect of the replacement on future premium payment obligations and the customer's ability to pay the premiums;
4. A comparison of the guaranteed and non-guaranteed/current elements of the existing and proposed policies or contracts and the effects on the cash value buildup, death benefits, lapse dates, etc.;
5. How surrender charges that may be assessed on the surrender of the existing policy or contract and those applicable to the proposed policy or contract will affect the values (e.g., a comparison of net cash value directly before and after the replacement transaction);
6. The effect of the replacement on the customer's liquidity needs;
7. The consequences of new incontestability and suicide provisions;
8. Whether changes in the insured's health after the date the existing policy was issued will adversely change mortality costs;
9. Any increase in mortality costs;
10. Any differences between the existing and proposed contractual provisions, duration and amount of coverage, loan interest rates and/or tax treatment of the replacement transaction;
11. Any favorable provisions or grandfathered rights that may be lost (e.g., term conversion options list when replaced with a new term policy);
12. Any potential tax consequences; and
13. The quality and financial stability of both the existing and the replacing company(ies).

## G. Replacement Analysis

To help Producers effectively evaluate whether their recommendation concerning a proposed replacement meets the applicable standard of care, the factors that should be considered with the customer include the following and any other factors applicable to the relevant standard of care:

### 1. Premiums:

- a. Are they affordable?
- b. Could they change?
- c. You're older now than you were when you purchased the original policy, so premiums may be higher for the proposed new policy.
- d. How long will you have to pay premiums on the new policy? On the old policy?

### 2. Values:

- a. New policies usually take longer to build cash values and to pay dividends.
- b. Acquisition costs for the old policy may have been paid, and you will incur costs for the new one.
- c. What (if any) surrender charges do the policies have?
- d. What expense and sales charges will you pay on the new policy?
- e. Does the new policy provide more insurance coverage?
- f. Does the old policy have privileges you are forfeiting with the new policy (e.g., term conversion privileges)

### 3. Insurability:

**If your health has changed since you bought your old policy, the new one could cost you more — or you could be turned down for the new policy.**

- a. You may need a medical exam for a new policy.
- b. Claims on most new policies (for as long as two years, depending on the state of residence) can be denied based on inaccurate statements made on the application.
- c. Suicide limitations may begin anew on the new coverage.

**If you are keeping the old policy as well as the new policy:**

- a. How are premiums for both policies being paid?
- b. How will the premiums on your existing policy be affected?
- c. Will a policy loan be deducted from death benefits?
- d. What values (if any) from the old policy are being used to pay premiums?

**If you are surrendering an annuity or interest-sensitive life product:**

- a. Will you pay surrender charges on your old contract?
- b. What are the interest rate guarantees for the new contract?
- c. Have you compared the contract charges or other policy expenses?

**Other issues to consider for all transactions:**

- a. What are the tax consequences of buying the new policy?
- b. Is this a tax-free exchange? (See your tax advisor.)
- c. Is there a benefit from favorable grandfathered treatment of the old policy under the federal tax code?
- d. Will the existing insurer be willing to modify the old policy?
- e. Do the quality and financial stability of the new company compare favorably with the quality and financial stability of your existing company?

## H. Producer's Responsibilities

The time and effort needed to fulfill the following responsibilities will depend on the types of products involved in the replacement transaction. To help ensure the replacement transaction meets the applicable standard of care, each Producer — prior to application submission — should:

1. Identify the customer's current needs and objectives;
2. Determine whether the customer's current needs and objectives can be met by the existing policy or contract, a modification of the existing policy or contract, or a new policy or contract;
3. Determine whether the purchase of the new policy or contract meets the definition of a replacement;
4. Provide, help the customer obtain, or direct the customer to information necessary to meet the standard of care applicable to the proposed replacement transaction (e.g., policies, annual statements, re-proposals and illustrations);
5. Provide complete disclosure and analysis of all relevant replacement information and factors — help the customer understand the advantages and disadvantages of the replacement transaction;
6. Ensure that the customer understands the difference between guaranteed and non-guaranteed/current elements of the existing and proposed policies or contracts and that non-guaranteed/current elements are based on specific assumptions and are never a guarantee or a predictor of future results;
7. Determine whether the replacement is appropriate and tailor recommendations accordingly;
8. Comply with the Company's replacement policies and guidelines and with all relevant state and federal requirements;
9. Recommend to the customer that he or she keep the existing coverage in place until the new coverage is in force;
10. Document and maintain a complete and accurate record of customer discussions, including all materials reviewed, relating to the standard of care and the replacement decision. Products involved in the transaction will dictate the proper amount of documentation necessary;
11. Not engage in deceptive or fraudulent conduct; and
12. Not make oral or written statements misrepresenting or making an incomplete comparison of the terms, conditions or benefits of a policy or contract in an effort to induce the lapse, forfeiture, exchange, conversion or surrender of a policy or contract.

#### **I. Prohibited Activities**

Producers are prohibited from engaging in “churning” or “twisting”, as these are considered unfair methods of competition and deceptive acts or practices in the business of insurance.

Churning occurs when the policy or contract value of one existing insurance policy or annuity contract (including, but not limited to cash, loan values, or dividend values, and in any riders to that policy or contract), is used to purchase another policy or contract with the same insurer for the purpose of earning additional premiums, fees, or commissions, or other compensation and one of the following situations exist:

1. There exists no objectively reasonable basis for believing that the replacement or extraction of one policy or contract for another policy or contract with the same insurer results in an actual and demonstrable benefit to the policy or contract holder;
2. The replacement of the policy or contract is obtained in a fashion that is fraudulent, deceptive or otherwise misleading or that involves a deceptive omission;
3. The policy or contract holder is not informed that the policy or contract values, including cash values, dividends, and other assets of the existing policy or contract will be reduced, forfeited or utilized in the purchase of the replacement or additional policy or contract, if applicable; or
4. The policy owner is not informed that the replacement or additional policy will not be a paid-up policy, additional premiums will be due, or a new contestable period will apply, if applicable, and the impact of these differences.

Twisting occurs when a Producer knowingly makes any misleading representations, incomplete or fraudulent comparisons, or fraudulent material omissions of or with respect to any insurance policies or annuity contracts for the purpose of inducing, or tending to induce, any person to lapse, forfeit, surrender, terminate, retain, pledge, assign, borrow on, or convert any insurance policy or annuity contract or to take out a policy or contract with another insurer.

If the Company determines that such a replacement does constitute churning or the Producer engaged in twisting, a replacement policy or contract will not be issued, and the Producer will be informed of such denial. Producers will be subject to disciplinary action by the Company, up to and including, termination of appointment with the Company.

## **J. Role of the Customer**

The determination of whether any particular replacement is appropriate for the customer and whether to proceed with the transaction is ultimately to be made by the customer after obtaining any and all information necessary to make that determination. If appropriate, the customer's decision should be made in conjunction with his or her tax, legal and/or insurance Producer.

## **K. Questions and Answers about the Company's Replacement Policies and Guidelines**

### **1. When is a transaction considered to be a replacement?**

A replacement occurs when a new life insurance policy or annuity contract is to be purchased and Producers know (or should know) that because of the purchase, an existing policy or contract will be terminated, altered or used in a financed purchase. For more detailed information, see the "Definition and Effect of Replacement" and "Replacement Analysis" sections of this manual.

### **2. Do these guidelines apply to all replacement transactions and all products?**

The guidelines apply to all external, internal and affiliate replacements of any existing life insurance policy and annuity contracts. The Company's definition of replacements generally excludes the following:

- a. Credit life;
- b. Group life and annuities;
- c. COLI/BOLI;
- d. Life insurance that is employer or association paid;
- e. Exercise of a contractual change or a conversion privilege;
- f. Group life and annuities used to fund prearranged funeral contracts;
- g. Life insurance proposed to replace insurance under a binding or Limited Term Life Insurance Agreement issued by the same Company;
- h. Nonconvertible, nonrenewable term life that will expire in five years or less;
- i. Immediate annuities purchased with proceeds from an existing life or annuity contract;
- j. Policies used to fund a tax-qualified plan or a nonqualified deferred compensation arrangement; and
- k. Structured settlements.

These exemptions track the NAIC Life Insurance and Annuities Replacement Model Regulation. However, some states do not exempt all of the above, so Producers must determine whether the transaction is considered a replacement in the state in which it takes place.

### **3. What is a financed purchase?**

The term financed purchase describes the actual or intended use of policy values (partial surrender values, loan values or accumulated dividends) from an existing policy to pay all or part of any premium on a new policy, either prior to or subsequent to the issuance of the new policy. See the "Definition and Effect of Replacement" section of this manual.

### **4. How do these guidelines apply to state and FINRA requirements for registered products?**

These policies and guidelines apply to the replacement recommendation or purchase of any life insurance or annuity policy regardless of whether they are registered or traditional products.

State regulatory requirements, including the use of specified forms, must always be followed. Any replacement recommendation made by a registered representative should not only be in accordance with these guidelines but also with the procedures and requirements of their Broker-Dealer relative to appropriateness, suitability, best interest, or other applicable standard of care.

### **5. What is an internal replacement?**

Whenever both the existing and replacing policies in a transaction are purchased from the same insurer, its subsidiaries or affiliated companies, the transaction will be considered an internal replacement. As with all other replacements, internal replacements must comply with all state and federal regulations as well as the Company's replacement rules.

## 6. Are state replacement forms required for a conversion?

Some term insurance policies contain contractual rights to convert to another policy with the same insurer or an affiliated insurer. Generally, state replacement forms will not be required for a transaction when it involves the exercise of this contractual provision. Be sure to review the appropriate state's replacement definition to determine if replacement forms are required for these types of transactions.

## 7. What are penalties for violations of the guidelines?

Violations of replacement guidelines and regulations may subject both the Company and the Producer to significant penalties. Penalties may include the revocation or suspension of a Producer's or a Company's license, monetary fines and the forfeiture of commissions or compensation paid to a Producer as a result of the transaction in connection with which the violations occurred. In addition, the Producer will be subject to discipline by the appropriate disciplinary body.

# VIII. Disclosures to Customers: During the Life Insurance and Annuities Sales Process

## A. Life Insurance and Annuities Sales Process

During the life insurance and annuities sales process, Producers act as the critical link between the Company, as the carrier, and the prospective policy owner. In fulfilling that role, Producers act as a conduit of information that will provide an important basis for the prospective policy owner's decision to purchase an insurance or annuity product. We expect our Producers to use the sales process to give customers the information they need to make decisions about which insurance or annuity products, if any, to purchase. Providing comprehensive and helpful information improves a customer's understanding of the basic features of the Company's products, enhances the customer's ability to evaluate the relative costs of similar insurance or annuity products and allows the customer to select the product most suited to meeting his or her individual needs.

Keeping this in mind, Producers are prohibited from making misleading suggestions, statements, exaggerations or omissions concerning any aspect of an insurance or an annuity product, the Company or the Producer. Each Producer should inform the prospective customers of the Producer's role in the proposed transaction and the nature of the product. This means informing the customers that the Producer is acting as an Insurance or Annuity Producer and that the Company is a life insurance and annuity company. Producers should not give the impression that any entity other than the issuing insurance or annuity Company is responsible for the financial obligations of the Company. Producers can not imply or state that American International Group, Inc. (AIG) is responsible for the guarantees or financial obligations of any product. Producers should not imply that their compensation is unrelated to sales or commissions on sales. The Company has found that Producers who refer to themselves as financial planners, investment advisors, financial consultants or financial counselors can confuse potential customers. Therefore, Producers are prohibited from using such titles unless they accurately describe applicable registrations or credentials that they have earned.

Producers are expected to understand and be able to communicate effectively the English policy forms to their clients. Policy forms may not be translated in writing to another language. Where Producers may have clients who prefer to communicate in a non-English language, Producers should provide verbal disclosure to clients that include (1) the terms of the insurance or annuity contract, as expressed/printed in English; and, (2) the Producer's non-English explanations/conversations for informational/convenience purposes only.

## B. Life Insurance and Annuities Sales: Words and Phrases to Avoid

To minimize disputes and to decrease the chance of a misunderstanding arising between Producers and prospective customers, the following words and phrases must be completely avoided in connection with the sales process.

1. **Suggesting We Sell Something Other than Insurance and Annuities.** Do not refer to the Company's products as anything other than insurance and annuities. Do not refer to a customer's purchase as an account or a plan. Producers may describe the ways in which policy owners can use the cash value that may accumulate in their insurance policies as long as they do so factually and accurately.
2. **Suggesting Non-guaranteed Items are Guaranteed.** Do not use words that describe non-guaranteed elements of a policy as guaranteed. Under no circumstances should Producers state or imply that the payment or amount of non-guaranteed elements under a policy is guaranteed.
3. **Suggesting Premium Requirements Vanish.** Do not suggest that the policy will not require premiums each year in order to maintain the illustrated death benefit unless the policy is fully paid up (e.g., a single premium policy for which the premium is fully paid). In particular, do not use the terms vanish, vanishing premium, disappearing premium or their equivalent.

4. **Suggesting Policies are Guaranteed Issue When Issue is Not Guaranteed.** Do not suggest that issuance of a policy is not dependent upon evidence of insurability when that is not in fact the case.
5. **Referring to Insurance Benefits as Profits or Returns on Investment.** Do not describe a pure endowment benefit as a profit or return on the premium, since it is more accurately a policy benefit.
6. **Suggesting Customers Can Get Something for Nothing.** Do not use the terms free, no cost, without cost, no additional cost, at no extra cost or similar words with respect to any benefit or service being made available with a policy unless there actually is no direct or indirect cost to the prospective policy owner for the service or benefit.
7. **Referring to a Policy as a Unique or Special Offer When it is Not.** Do not state or imply that the policy or combination of policies is an introductory, initial or special offer; that applicants will receive substantial advantages not available at a later date; or that the offer is available only to a specified group of individuals unless that is the fact. If it is a special offer, the Producer should only use wording provided by the Company.
8. **Unfair or Incomplete Comparisons.** Do not make unfair or incomplete comparisons of policies, benefits, dividends or rates of other insurers. Only accurate comparisons of policy features should be made, and Producers should take reasonable steps to assure the accuracy of such comparisons, keeping in mind that all sales materials must be submitted to the Company for approval.
9. **Claims of Government Approval.** Do not state or imply that any product is in some manner connected with a governmental program or agency or that it has been endorsed by a governmental agency, such as a state insurance department or other regulatory body.
10. **Inaccurate Statements about the Company.** Do not make statements that are misleading, in fact or by implication, with respect to the assets, liabilities, insurance in force, corporate structure, financial condition, age or relative position of the Company in the insurance business. The Company encourages Producers clearly to inform the prospective customer of the scope and purpose of ratings and financials.
11. **Disparaging Remarks about Competitors.** Do not make disparaging remarks about other insurers, insurance Producers, products, services or methods of marketing. However, Producers may inform their customers of factual comparisons of product features.

This list is not intended to be exhaustive. Please remember that all presentations made to customers should involve providing them complete and helpful information about the Company's products.

#### **C. Life Insurance and Annuities Sales: Prohibition against Securities Recommendations**

Insurance and Annuity Producers who are not licensed to sell securities should not make recommendations to the Company's existing or prospective customers to hold, purchase, or sell any securities for any reason. This includes, but is not limited to, recommendations to sell securities products where the proceeds of the sale would be used to buy a non-securities product such as a life insurance policy, fixed annuity, or fixed index annuity.

#### **D. Life Insurance and Annuities Sales: Pretext Interviews are Prohibited**

No insurance institution, life insurance or annuity Producer, or insurance-support organization shall use or authorize the use of pretext interviews to obtain information in connection with an insurance or annuity transaction.

The National Association of Insurance Commissioners (NAIC) defines a "Pretext interview" as an interview whereby a Producer attempts to obtain information about a natural person by performing one or more of the following acts:

1. Pretends to be someone he or she is not;
2. Pretends to represent a person he or she is not, in fact, representing;
3. Misrepresents the true purpose of the interview; or
4. Refuses to identify himself or herself upon request.

#### **E. Life Insurance Sales: Information to Include in the Sales Process**

It is important to inform prospective customers of the nature of the products and services in which they are interested. Distinguishing between guaranteed and non-guaranteed/current elements of an insurance product is of primary importance in helping customers understand the nature of the product. During the sales and delivery process of any product with non-guaranteed elements, the customer must be provided with a minimum of the following documents:

1. An application;
2. A regulatorily-compliant illustration wherein non-guaranteed elements are illustrated (if required);

3. A buyer's guide (in those states that require it); and
4. A policy summary (in those states that require it).

For life insurance, it is also important to discuss premium obligations accurately. Customers should be advised that premium obligations are payable for the duration of the contractual premium payment period. Although credited interest, dividends or cash values may become sufficient to cover the premium for a period of time, the customer's obligation to pay the premiums does not automatically cease, and the customer should be informed that policy values may not be sufficient to cover premium obligations in the future.

Producers should discuss any charges and expenses with prospective customers and help them understand that life insurance premiums may vary from the initial quote if a health condition or risk factor results in a less favorable underwriting rating.

## **IX. Disclosures to Customers: The Creation and Use of Life Insurance and Annuity Illustrations**

### **A. Life Insurance Illustrations**

Life Insurance sales illustrations help customers understand how their policies may function by providing hypothetical representations based upon policy elements, including, but not limited to, non-guaranteed and guaranteed policy values. Remember, non-guaranteed elements in an illustration are not guaranteed projections of future performance.

Complete and accurate illustrations aid your efforts in providing customers with information that result in informed buying decisions. To ensure that illustrations serve their proper end, it is important that illustrations be presented in a manner consistent with applicable laws and regulations and are otherwise fair and appropriate.

#### **1. Definition**

A life insurance illustration is a hypothetical presentation or depiction that shows, among other things, certain non-guaranteed elements of a life insurance policy over a period of years. There are three types of life insurance illustrations:

- a. **Basic illustration:** A ledger or proposal used in the sale of a life insurance policy that shows both guaranteed and non-guaranteed elements.
- b. **Supplemental illustration:** An illustration furnished in addition to a basic illustration. A supplemental illustration may be presented in a format differing from the basic illustration but may only depict non-guaranteed elements as permitted in a basic illustration.
- c. **In-force illustration:** An illustration for a particular policy furnished at any time after the policy it depicts has been in force for one year or longer.

#### **2. Creation of Life Insurance Illustrations**

Producers are permitted to use only illustrations generated by the Company or by software that has been approved by the Company. Producers are not permitted to alter the assumptions underlying, or operation of, any Company-approved software. Producers must ensure that the illustrations or software they use are generated from the Company's most current software. Producers may only use the most updated version of Company approved illustrations or software.

#### **3. Presentation of Life Insurance Illustrations**

Where an illustration is used, Producers must not advise customers that an illustration is a projection of future performance or a guarantee of performance. Rather they should advise that an illustration is a depiction of how the policy may perform over time, based on the assumptions underlying the illustration. In presenting and explaining the illustration, Producers must refrain from:

- a. Marking or altering an illustration in any way;
- b. Representing the policy as anything other than a life insurance policy;
- c. Using or describing non-guaranteed elements in a manner that is misleading or has the tendency to mislead;
- d. Stating or implying that the payment or amount of non-guaranteed elements is guaranteed;
- e. Using any illustration not generated by the Company or by software that has been approved by the Company;
- f. Providing an applicant with an incomplete illustration;
- g. Representing in any way that premium payments will not be required for each year of the policy to maintain the illustrated death benefit, unless that is a fact;

- h. Using the terms “vanish”, “vanishing premium”, “limited pay” or similar terms that imply that the policy becomes paid up to describe a plan for using non-guaranteed values to pay a portion of future premiums; and
- i. Offering a supplemental illustration that is not accompanied by a basic illustration and otherwise compliant with this policy.

#### 4. Delivery of Illustrations, Signed Illustrations and Record Retention

Illustrations assist customers in understanding the functioning of the product that they purchase and also provide an important documentary record of the transaction. Illustrations can therefore be a useful tool in refreshing customers' recollections regarding the merits of their purchase and can help protect Producers in the event a customer later becomes confused. To protect themselves and their customers better, and subject to any additional obligations imposed by an individual state's law, Producers must deliver, obtain signatures and retain illustrations, as follows, for products subject to the state-adopted versions of the NAIC Life Insurance Model Regulation and other applicable laws and regulations. These procedures are also recommended for use with variable life insurance products.

- a. **Applied for As Illustrated.** If a Producer uses an illustration in connection with the sale of a life insurance policy and the policy is applied for as illustrated, the Producer must submit a signed copy of the illustration to the Company with the application and provide a copy to the customer. A signed copy also should be maintained in the Producer's files.
- b. **Issued Other Than As Applied For.** If a Producer uses an illustration in connection with the sale of a life insurance policy and if the policy is issued other than as applied for, a REVISED basic illustration conforming to the policy as issued must be sent with the policy. It must be labeled “REVISED” and it must be signed and dated by the customer and Producer no later than the time of policy delivery. A signed copy of the REVISED illustration must be provided to the customer and the Company and a signed copy should be maintained in the Producer's files.
- c. **Illustration Sent.** If the New Business Department sends a copy of the illustration to the customer by mail, the mailing must include a self-addressed, postage-prepaid envelope and instructions for the customer to sign the duplicate copy of the illustration and return the signed copy to the Company.
- d. **No Conforming Illustration Used at Time of Sale (Certification Form in Lieu of Illustration).** At the time of sale, if a Producer (a) did not use any illustration, or (b) used an illustration that did not conform to the policy applied for, or (c) used an illustration displayed on a computer screen, but did not provide the customer with a printed copy, or (d) used a quotation or composite illustration in connection with group policies, the Producer must certify such actions through the use of the Company required document to acknowledge that no illustration was used.

On this document, the customer shall acknowledge that (1) no illustration conforming to the policy applied for was provided due to the circumstances mentioned above and (2) he or she understands that an illustration conforming to the policy as issued will be provided no later than at the time of policy delivery.

**NOTE:** When the Producer used a computer screen illustration, but did not provide the customer with a printed copy, a few states require:

- i. **The customer to acknowledge such action** and to sign a statement saying that he or she understands that a printed copy of the illustration matching the computer screen will be provided no later than at the time the application is provided to the Company.
- ii. **The Producer to certify such action** and to disclose the personal and policy information on which the computer screen illustration was based.

To comply with these requirements, the Company has made available a state-specific version of its Company required document to acknowledge that no illustration was used. Check your state rules to determine whether you need to use the state-specific version of this form.

This document or the applicable state-specific version must be completed, signed and dated by the customer and the Producer, and provided to the Company with the application.

Once the policy is issued, a basic illustration conforming to the policy as issued must be included with the policy and signed no later than at policy delivery. A signed copy must be provided to the customer and the Company and maintained in the Producer's files.

## **5. Supplemental Illustrations**

A Producer may present a supplemental illustration only where it is appended to, accompanied by, or preceded by a basic illustration that complies with applicable law or regulation.

### **B. Annuity Illustrations**

Annuity Illustrations help customers understand how their annuity contracts may function by providing hypothetical representations based upon contract elements including, but not limited to, non-guaranteed and guaranteed contract values.

Annuity illustrations are not required as part of the sale process, but when they are used, remember, non-guaranteed elements in an illustration are not guaranteed projections of future performance. As with any marketing or sales tool provided to a customer, the illustration must be generated and presented within allowable parameters.

Complete and accurate illustrations can aid Producer's efforts to provide customers with information consistent with making informed buying decisions. To ensure that illustrations serve their proper end, it is critical that they be presented in a manner that is consistent with applicable laws and regulations and is otherwise fair and appropriate.

#### **1. Definition**

An illustration is a personalized presentation or depiction that includes non-guaranteed elements of an annuity contract over a period of years. "Static"/non-personalized depictions, or depictions of minimum guaranteed values only, are not considered illustrations.

#### **2. Creation of Annuity Illustrations**

Producers are only permitted to use illustrations approved by the Company for its products. Producers may only use the most updated version of company approved illustrations or software.

#### **3. Presentation of Annuity Illustrations**

When presenting an illustration, Producers should inform the customer that the illustration is not a projection or guarantee of performance. Rather they should advise that an illustration is a depiction of how the contract may perform over time, based on the assumptions underlying the illustration.

In explaining the illustration, usually (a) historical performance; and (b) current rates and/or minimum guaranteed values held constant for the period are shown. It is important for a Producer to advise the customer when subsequent interest rates and index account factors will be declared. The minimum and maximum rates should also be disclosed to the customer, such as the rate caps, spreads, and/or participation rates.

Producers must avoid describing or presenting the illustration in the following manner:

- a. Representing the contract as anything other than an annuity contract issued by an insurer;
- b. Using or describing non-guaranteed/current elements (e.g., current rates and values) in a manner that is misleading or has the tendency to mislead;
- c. Stating or implying that the payments or amounts based on non-guaranteed/current rates or elements are guaranteed;
- d. Use a hypothetical illustration that is not in the form prescribed and provided by the insurer, such as not including every page provided in the hypothetical illustration; and
- f. Altering the illustration in any way, including making any notation or marking on the illustration or instructing the customer to make a mark or notation.

#### **4. Delivery of Annuity Illustrations**

If delivering an annuity illustration, Producers should adhere to the following requirements:

- a. Provide the customer a product-specific prospectus with a variable annuity illustration. There is no requirement to provide an Owner Acknowledgment and Disclosure Statement (OA) for fixed or fixed-index annuity illustrations since the illustrations include the data/disclosure elements; and
- b. Provide the customer with an illustration that conforms to the issued contract. This is only applicable if the issued contract varies in key aspects from the original illustration that was provided, for example, it is not required if the only differences are changes in the amount of initial or additional premiums that do not alter the key benefits and features of the annuity.

Listed below are some examples when a Producer should provide a new annuity illustration to the client:

- If the initial illustration presented shows the selection of a specific living benefit, but ultimately the client chooses to purchase another configuration
- If the initial illustration presented shows the selection of certain index account options, but ultimately the client chooses to purchase different index account options when the product is purchased
  - o For sales in states that have adopted the NAIC Annuity Disclosure Model Regulation, the illustration tool does not permit depictions of index accounts with less than 10-years of history, such as the volatility-controlled indices, as the regulation does not allow the use of back-tested historical performance. Therefore, a Producer would need to:
    - provide an illustration that includes only the indices chosen that can be illustrated
    - consider sharing educational marketing materials that describe the way volatility-controlled indices operate

## **5. Recordkeeping for Annuity Illustrations**

Producers are responsible for maintaining a record of (a) information collected from the customer; and (b) any illustration provided to the customer for the duration of the retention period under the laws of their state.

## **X. Completion of Documents and Signatures**

Any applications, forms, policy receipts, illustrations and other documents that the Company requires customers to review, complete and sign as part of their insurance purchase are important documents that play a vital role in establishing and documenting the Company's relationship with customers. The information and customer signatures required on such documents are essential elements of the Company's compliance with state and federal laws and regulations. It is therefore essential that such documents accurately reflect information provided by the customers and contain the signature of the customers, certifying that they have reviewed and approved all the information on the documents.

The responsibility for the accuracy of customer documents rests with the Producers who sell the Company's products. Accordingly, it is the Company's policy that Producers take steps to assure themselves that:

1. The information presented in all applications, loan request forms, suitability forms, policy receipts, illustrations and other customer documents is accurate and has been provided or approved by the customer.
2. The customer has reviewed the final form of the documents containing all information, including the description notifying the customer of the purpose and effect of the customer's signature.
3. The customer has signed/e-signed the final form of the documents and initialed any and all changes or utilized some other methodology permitted by the Company.\*

It is the Company's policy that there are no exceptions to these requirements even with customer consent. Specifically, Producers are strictly prohibited from:

1. Requesting or permitting customers to sign blank forms.
2. Requesting or permitting customers to sign an application on which questions have been left blank for the Producer to complete at a later time.
3. Adding or changing information on a signed document without returning it to the customer for review and approval (signaled by the customer's initials and date).
4. Signing customers' names or placing their initials on any document.
5. Signing a document as a witness if the Producer has not actually seen the customer sign the document.\*
6. Completing the e-signature process on behalf of the customer.\*
7. Knowingly entering or permitting a customer to enter false information on any document.
8. Marking or altering a signed application outside the presence of the applicant.

\* For e-applications, the e-signature process complies with this requirement if all parties agree to the e-signature terms presented during the signature process.

Producers who, in our judgment, have violated the Company's policy regarding document completion and signatures by forging customer documents, knowingly entering false information on documents or knowingly permitting forged or fraudulent documents to be processed or approved will be subject to Company discipline. This may include contract termination or legal action. Such activity also may subject Producers to regulatory sanctions and civil or criminal liability. In

the Company's disciplinary proceedings, defenses such as "done at customer's request" or "done with customer's consent" will not be recognized as excuses for violating these policies.

## **XI. Best Practices for Documenting Conversations with Customers and Recommendations**

Various applicable regulations, including those covering suitability and best interest standards of care and replacements, require that a Producer document the basis of recommendation to purchase, exchange or replace an annuity contract or life insurance policy.

Producers must thoroughly document any and all considerations that were evaluated when recommending a purchase, exchange or replacement. It is important that the explanation be individualized and specific to the client and include thorough, accurate and complete information. Producers should avoid using general or vague statements such as "higher rates" or "product features" in the explanation.

Additionally, recommendations for purchases and exchanges should include the benefits of the proposed policy or contract and the reasons the existing policy or contract can no longer meet the client's needs and financial objectives. If the exchange or replacement will result in a loss of significant benefits or guarantees, the losses must be documented.

## **XII. Delivering the Policy or Contracts**

### **A. Timely Delivery**

Timely delivery of a customer's policy or contract is an important Company obligation. Proof of policy or contract delivery avoids non-delivery market conduct-related violations and service-related complaints by establishing that a policy or contract is delivered and the date the applicable free-look period commences. The Company's expectation is that Producers will comply with state delivery requirements and obtain proof of policy or contract delivery, if required, and maintain such proof in the customer's file and provide such proof of delivery to the Company if required. A Producer who fails to deliver a policy or contract in a timely and appropriate manner is subject to disciplinary action. A commission may be subject to charge-back when a policy or contract is rescinded because there is no satisfactory evidence a policy or contract was delivered in an appropriate and timely manner.

A Producer is prohibited from delivering a policy to the customer when the Producer is aware there has been an adverse change in the insured's health subsequent to the application date.

### **B. Cross Border Sales to New York Residents**

Producers must be properly licensed and appointed with AGL (all states except NY) or USL (NY only), as applicable, to conduct business in the solicitation state. The state in which the client signs the application is the solicitation state, which is ordinarily the client's state of residence. The solicitation state is not dependent on the Producer's location. Annuity contracts or life insurance policies for residents of New York state are ordinarily written on an application for The United States Life Insurance Company in the City of New York (US Life) and completed within the state of New York.

However, on occasion there are valid reasons why an application for a New York resident may be taken in another state using an American General (AGL) application (cross-border sales). The recommendation to purchase a cross-border contract must not be used as a means of evading any legal requirements in the resident state. In the event that a New York resident seeks to purchase a contract or policy solicited outside of New York, you must establish that a sufficient nexus or connection exists between the solicitation state and applicant. A nexus is established if the policy owner or contract owner has a residence, owns a business or is a trust domiciled outside of New York. It is your responsibility to understand and advise the contract owner on the differences (if any) between the product as approved in the contract owner's resident state, and the state in which the contract was solicited and issued. For products written on AGL paper, the entire transaction including all meetings, telephone calls, texts, or emails must occur while both the applicant and Producer are OUTSIDE the state of New York. No part of the solicitation, sale, or negotiation process can occur when either the applicant or Producer are physically in the state of New York.

### **C. Virtual Sales**

When meeting virtually with a client to complete an application and forms using an electronic order entry platform, electronic signatures (which may be restricted in certain states) may only be obtained using the pre-approved electronic signature protocols contained within AIG-approved platforms. When conducting virtual sales, Producers must ensure that clients have a complete and accurate understanding of the product and have received and understand supporting materials and disclosure documents, as is the case in any sales situation.

### **XIII. United States Department of Labor (DOL) Fiduciary Rule (“DOL Rule”)**

Under the DOL Rule, sales, rollovers, transfers, and allocation recommendations involving an ERISA plan and/or an IRA, in the context of either an existing customer relationship or an anticipated future customer relationship, may be considered fiduciary advice. As explained below, Producers should carefully consider whether they are acting as a fiduciary when making any such recommendations.

**Fiduciary Status.** A five-part test may be used to determine if Producers are acting in a fiduciary capacity when selling annuities. A Producer may be a fiduciary if the Producer does all of the following:

1. Provides individualized advice;
2. For a fee (this includes commissions);
3. On a regular basis;
4. Pursuant to a mutual agreement with the customer; and
5. That advice serves as a primary basis for investment decisions.

The interpretation of the “regular basis” part of the test has been expanded such that even if the Producer intends for the recommendation to be a one-time event, it is deemed to be ongoing if the Producer or the customer anticipate any ongoing relationship involving additional recommendations. Further, when a rollover recommendation is made, there is a presumption that an ongoing relationship exists or is anticipated to exist.

**Fiduciary Obligations.** A Producer acting in a fiduciary capacity must determine whether there are any conflicts, including third party compensation (including commissions) and, if so, must rely on a Prohibited Transaction Exemption (PTE), such as PTE 84-24, or other available guidance in order to receive compensation. Under PTE 84-24, which primarily applies to annuities, the Producer must provide a disclosure form to the customer at the time the recommendation is made which details (1) the Producer’s relationship with the insurance company, limitations on offerings, the amount of sales commission and other compensation, and (2) descriptions of any charges, fees, discounts, penalties, or adjustments associated with the product. This information must be specific to the product and to the compensation the Producer is receiving with each customer and particular recommendation. To assist Producers with these obligations, a new form has been developed, the Prohibited Transaction Exemption (PTE) 84-24 Disclosure and Acknowledgement Form. This form will generate during the electronic application process, with certain fields pre-filled, and should be provided to the client but not submitted with the application. A blank template may be obtained in form repositories for non-electronic sales. PTE 84-24 also requires the Producer to confirm that product and sales compensation is not in excess of “reasonable compensation”. Please see the applicable Compliance Bulletins for additional details.

### **XIV. File and Record Maintenance**

All Company Producers are required to maintain complete and accurate files for transactions related to the Company. Experience indicates that the records Producers keep will be the best (or only) way to establish the care and professionalism exercised when dealing with a particular customer. Carefully maintained files also provide the best protection against inappropriate or wrongful complaints or legal claims in the future. The appropriate time to build such files is when a particular transaction is in process, since it can be difficult or impossible to reconstruct the file months or years later when questions or issues may arise. These files must be maintained for at least seven years (or as required by law) after the policy ceases to be in force.

Generally, most states view electronic record retention or imaging as an acceptable format for file retention so long as the electronically retained record is an accurate, exact reproduction of the original hard copy which cannot be altered, and, a hard copy may be reproduced quickly and easily from the electronic image. Producers must become familiar with the file and record maintenance regulations of the states in which they write insurance or annuity business to assure compliance with record retention laws. Always consult the AIG Global Records and Information Management Policy and/or your compliance department for any questions related to records management.

#### **A. Customer Files to be Maintained by Producers**

1. All sales presentation or other marketing material used by you or shown to the customer. In addition, agencies must maintain copies of all advertising/sales material created by any agency office personnel. The file should also include documentation of the required Company approval of the material with attached clean versions of the material including required modifications.
2. Fact-finding tools (including annual reviews) or any other documents used to collect customer data and determine the customer’s insurable needs and financial objectives (see “Disclosures to Customers: During the Life Insurance and Annuities Sales Process” section of this Manual).

3. Copies of all illustrations shown to the customer (including information collected from the customer) and, if required by state law or the Company's policy, a signed copy of the illustration of the policy actually delivered (see "Disclosure to Customers: The Creation and Use of Life Insurance and Annuity Illustrations" section of this Manual). For any customer who buys a policy or contract, this must include any written solicitations and/or product comparisons and every proposal shown to the customer (even if the customer did not buy all of the products that were proposed).
4. Disclosures made to the customer, including summaries of oral disclosures, and other information used in making recommendations that were the basis for the insurance transactions.
5. Forms required to be provided to the customer, but not required to be submitted to the Company.
6. All correspondence between the Producer and the customer (or a representative of the customer).
7. A record of dates and notes memorializing any substantive telephone conversations or meetings between the Producer and customer (or a representative of the customer).
8. A signed Acknowledgment Receipt Form, if applicable.
9. Copies of all applications.
10. If a replacement was involved, signed copies of all state replacement forms or any ledger statements used in a conversation.
11. Signed transfer or 1035 exchange forms, if applicable.
12. Copies of all Asset Transfer Forms involving qualified plan transactions.
13. A signed Policy Delivery Receipt (Policy Delivery Checklist, where applicable) or record when a policy was mailed, if applicable.
14. A copy of the customer's check, if applicable.
15. Records of training provided to Producers or that Producers attended as part of a continuing education requirement to maintain their licenses.
16. Complaint files and a complaint log for complaints received that relate to policies issued by the Company. The complaint file must include a copy of the written complaint from or relating to the customer (or in the case of a verbal complaint, the completed complaint form) and all relevant correspondence and memoranda setting forth the nature, background and disposition of the complaint. The complaint log must list and provide the following information for all complaints: the complainant's name, the date the complaint was received by the Producer, the substance of the complaint, the date the complaint was sent to the Company, the date the complaint was resolved and how the complaint was resolved.

#### **B. Variable Product Files**

Note that variable product files must be maintained separately from non-variable product files. With regard to other requirements for variable products, all books and records are to be maintained in accordance with the guidelines set forth in your Broker-Dealer manual.

## **XV. Premium Payments and Transactions by Producers Prohibited**

To comply with applicable laws, the Company prohibits the commingling of policy owner funds with those of Producers. Further, administrative problems may develop when the Company accepts funds from a Producer or an agency to pay a premium. Consequently, Company policy prohibits Producers from directly or indirectly paying premiums on behalf of customers or providing customers any valuable consideration or inducement not specified in the policy.<sup>1</sup> The Company will, however, accept premium payments from a Producer for policies insuring the Producer or a member of the Producer's immediate family. Immediate family is defined as spouse, parents and grandparents, children and grandchildren, brothers

<sup>1</sup> It should be noted that on December 9, 2020, the NAIC Executive Committee approved changes to Section 4(H) of the Model Regulation that addresses rebating. The adopted revisions will allow certain types of value-added products and services to be provided in connection with an insurance product without being identified in the insurance contract, and without violating the anti-rebate provisions. As a general matter, those products and services must meet certain identified criteria of the Model Regulation (i.e., they must be to enhance health or financial wellness). The Model Regulation also includes certain additional obligations that must be satisfied to avoid the rebating prohibitions for such eligible products and services, including:

- limitations on the cost of the products or services in comparison to the premium;
- making contact information available to the customer for any questions about the eligible products and services offered; and
- ensuring that the products and services are offered in a manner that is not discriminatory.

The Model Regulation revisions are NAIC's attempt to provide some flexibility related to the offering of annuity and insurance products in combination with other services and marketing techniques, while maintaining a framework that prevents unfair discrimination. If and when states adopt the Model Regulation, it is your responsibility as a Producer to comply with the requirements of the amended regulation.

and sisters, mother in law and father in law, brothers in law and sisters in law, daughters in law and sons in law. Adopted, half, and step members are also included in immediate family.

All premiums collected from the customer are to be remitted immediately to the Company in an acceptable form of payment, made payable to the Company.

Transactions creating a conflict of interest are prohibited. Producers have broadened their insurance practices by serving as real estate agents, mortgage brokers, settlement brokers, trustees, or other types of advisors.

Representing multiple parties or serving multiple roles in one transaction creates a risk of conflict and is prohibited. Producers should refer to “Disclosures to Customers: During the Life Insurance and Annuities Sales Process” regarding each Producer’s obligation to inform customers of the Producer’s role in the transaction, the nature of the product, and that the Producer is acting as an Insurance or Annuity Producer.

Producers are prohibited from purchasing a customer’s policy or contract and cannot become the owner or beneficiary, or address of record of a customer’s policy or contract unless the policy insures a member of the Producer’s immediate family.

Producers are prohibited from becoming the trustee of a trust that is the owner or beneficiary of the customer’s policy or contract unless the policy insures a member of the Producer’s immediate family.

For products where a Limited Temporary Life Insurance Agreement (“LTLIA”) is an option, a Producer is prohibited from offering the LTLIA to the owner and accepting premium payment at the time of application, if the Producer is aware that the applicant cannot truthfully answer “no” to the health and age questions set forth in the application and in the LTLIA or its successor forms.

For other products which offer other limited coverage subject to the Company’s underwriting rules, a Producer may deliver to the owner a Limited Term Life Insurance Agreement and accept premium at the time of an application for insurance for which the Company, under its rules, provides a Limited Term Life Insurance Agreement, when all health and age questions on such application that must be answered when a medical examination is required are answered “no”.

## **XVI. Company’s Position on STOLI/IOLI**

The Company is concerned with the interests of our policy owners and insureds. Life settlement and stranger- owned life insurance (STOLI) or investor-owned life insurance (IOLI) raise standard of care issues regarding the sale (particularly for seniors), disclosure adequacy and potential fraud. These transactions may also have securities and tax law implications. Many states prohibit STOLI transactions by statute or regulation. In addition to compliance with the following guidelines, Producers must comply with all applicable laws and regulations governing any sales. The following should be considered regarding STOLI/IOLI sales:

- The Company will not issue a policy if the probable intention of the insured, policy/contract owner or any other party to the life insurance transaction is to sell the policy/contract to a viatical or life settlement provider
- The Company will not issue a policy when the policy/contract owner has no interest in the continued life of the insured
- The Company has rescinded and reserves the right to rescind policies/contracts sold to fund STOLI/IOLI transactions, one consequence of which is the charge back of Producer compensation
- The Company has disciplined and reserves the right to discipline Producers who sell Company policies/contracts to fund STOLI/IOLI transactions or who fail to notify the Company of the policy/ contract owner’s probable intention at the time of issuance to subsequently settle a life insurance policy/contract

Additionally, any Producer appointed with the Company who is considering participating in a viatical, life settlement or similar secondary market life insurance transaction should be mindful of and comply with all Company policies and Procedures. Also, Producers must comply with the following directives regarding secondary market life insurance transactions:

- **Provide Full Disclosure to the Company.** An appointed Producer has a duty to disclose any and all information that indicates coverage may be part of a plan to sell the policy in the secondary market and to disclose STOLI/IOLI sales. The owner of a life insurance policy must have an interest in the continued life of the insured at the time the policy is issued. Applying for life insurance with the probable intention to sell the policy in the secondary market in the future not only threatens the insurable interest supporting that policy, it exposes the policy to rescission. For the same reasons, the Company will not permit a sale where there is not a clear interest in the continued life of the insured. Producers are required to disclose if the proposed insured is applying for coverage with the probable intention of selling his or her policy in the “Reason for Insurance” section of the application.
- **Consider Policy Options.** Explain any available rider benefit as well as all contractual rights available to a client who is considering a secondary market sale of an existing policy
- **Do Not Use Company Letterhead.** Engaging in secondary market transactions and STOLI/IOLI sales are outside the scope of a Producer’s contract with the Company. Accordingly, any communication had with the client or any third party in connection with such transactions should not be on the Company’s letterhead and should not reference the Company in any way.

- **Conflicts of Interest are Prohibited.** Producers have broadened their insurance practices by serving as settlement brokers, settlement purchasers, settlement companies, trustees or even finance companies. Representing multiple parties or serving multiple roles in one transaction may create a conflict of interest and is prohibited.
- **Reminder for Registered Representatives.** FINRA rules require Producers to provide prior written notice to the Broker-Dealer of intent to engage in any outside business activities, including viatical, life settlement and/or STOLI/IOLI business. FINRA rules prohibit Producers from engaging in private securities transactions, except with the approval of the Broker-Dealer who assumes responsibility to supervise and record such transactions on its books and records. Producers should review the Broker-Dealer's policies and procedures and contact the Broker-Dealer with any questions.

## **XVII. Advertising/Sales Material**

The Company is committed to providing consumers with complete, balanced and accurate information regarding the Company's products and services that enables them to make decisions consistent with their objectives and goals. Communications with the public are an important part of the sales process. To ensure that these communications with the public comply with applicable laws and regulations and are written in a manner that is clear, understandable and conveys accurate and helpful information, the Company requires that all materials related to the Company and used in the Producer recruiting and sales processes have Company approval and that Producers follow the Company's guidelines for obtaining such approval.

### **A. Definition**

The Company's advertising/sales material refers to materials designed to create public interest in the Company, its annuity, life or other insurance products or its Producers, or to encourage the public to purchase, increase, modify, reinstate, borrow from, surrender, replace or retain a policy. The definition of advertising/sales material is expansive and includes items Producers may not think of as advertising/sales material. It is important to remember that advertising/sales material includes items created by third parties such as industry organizations and items intended for Producer use only. Producers questioning whether something is advertising/sales material as defined in this Manual should submit it to the Company for approval prior to use.

#### **Advertising/Sales material includes but is not limited to:**

1. Printed/published material, audiovisual material and descriptive literature used in direct mail, newspapers, magazines, radio and television scripts, telemarketing scripts and billboards and similar displays;
2. Websites and internet publications of any information relating to the Company or its products, services, office locations, Producers or other employees, including, but not limited to, e-mail, home pages and social networking sites such as MySpace, LinkedIn, Facebook, WeChat, Instagram, TikTok, Twitter or the like created by individual Producers or others.
3. The Company's descriptive literature and sales aids of all kinds (issued, distributed or used by the Company or Producers selling the Company's products, including, but not limited to, circulars, newsletters, leaflets, brochures, booklets, depictions, illustrations, software printouts, proposals and pre-approach and other form letters, delivered in any medium, including electronic);
4. Newspaper or magazine articles or reprints, published investment letters, industry publications or any other material created by a third party and used as part of the sales process;
5. Communications that use the Company's logo and/or rates;
6. Company material used for recruiting, training and educating the Company's Producers and employees and that is designed to be used or is used to encourage the public to purchase, increase, modify, reinstate, borrow from, surrender, replace or retain a policy or other product;
7. Prepared sales talks, seminars, presentations, invitations and material for use by Producers and employees, including, but not limited to, software presentations, videos, overheads and slides used to promote the Company's products and/or services of the Company;
8. Business cards, stationery, envelopes and other similar materials that display or contain the Company's name;
9. All material used to train Producers and employees concerning the solicitation and sale of the Company's products; and
10. Materials that are used only within the Company and are not intended for dissemination to, and that are not actually distributed to, the public (such materials will be identified with the designation "FOR INTERNAL USE ONLY" or a similar statement to that effect).

**NOTE:** Advertising/sales material does not include:

1. A general announcement from a group or a blanket policy owner to eligible individuals on an appointment or membership list that a policy or a program has been written or arranged, provided the announcement clearly indicates it is preliminary to the issuance of a booklet explaining the proposed coverage;
2. Routine administrative correspondence that contains no marketing text, such as account or contract changes; confirmations; response to inquiries; and letters indicating office relocation. In addition, account statement and prospectuses are not advertising/sales material.

## **B. Review of All Advertising/Sales Material**

The Company's advertising/sales material, whether created by the Company, a Producer or a third party, must be approved by the Company prior to use. **There are no exceptions to this policy.** It is the Producer's responsibility in the first instance to ensure that all advertising/sales material generated by the Producer meets all applicable standards. The Company reviews each piece of advertising/sales material and gives final written approval for its use. During its review, the Company scrutinizes the material to ensure, among other things, that it: (i) complies with applicable laws and regulations; (ii) is truthful, accurate and not misleading; (iii) discloses material aspects of the product; (iv) is clear and understandable in light of the complexity of the product; and (v) avoids suspect terminology, exaggeration and unfair comparisons.

If a Producer writes new advertising/sales material or wants to change the content or the format of approved material, regardless of its origin, then the proposed material must be submitted for approval at least 10 business days prior to use. Approval of any advertising/sales material submitted by Producers is valid for the time period specified by the Company. Continued use of such approved materials requires that a new request be submitted to the Company.

Producers also must avoid using outdated advertising/sales material. The Company may replace advertising/sales material in response to product changes, legal changes or regulatory changes. Producers should always use the most recent version of advertising/sales material. Use of advertising/sales material that has been replaced (as with the use of unapproved materials) is a violation of Company policy.

Advertising/sales material approvals are valid for two years from date of approval. Should material be updated within that period, it should be resubmitted for review. Advertising/sales material may not be used after expiration of approval by the Company.

## **C. Presenting Advertising/Sales Material**

When presenting advertising/sales material to explain any product, Producers should keep in mind that they may not alter any of the materials they use. Doing so changes the material the Company has approved and is therefore a violation of the Company's policy.

In general, advertising/sales material should be used as a tool to help present consumers with information they need to make informed decisions. This information must not only be accurate but also must not have the capacity or tendency to mislead the customer. Producers must avoid using advertising/sales material, statements or communications of any kind that, when used alone, are not misleading but become deceptive or misleading when combined. Disclosures to be made to customers and terms to be avoided during sales presentations are detailed within the "Disclosure to Customers: During the Sales Process" section of this Manual. The goal remains the same for all communications made: Producers and advertising/sales material should be fair, balanced and help each consumer understand the nature and elements of any product or service the customer considers.

## **D. Social Media Guidelines**

As the Company is subject to various laws regarding market conduct and sales practices, advertising, and record retention, any communications designed to create interest in the products or services of the Company or otherwise promote a product or service of the Company using interactive or social media must comply with applicable laws and Company policies and procedures. Guidelines for usage of interactive or social media have been established on behalf of the Company for employees or Producers appointed with the Company.

**All Company sponsorship, initiation, participation, concepts, or content related to interactive media must receive Legal and Compliance Department approval before its use, in accordance with the advertising approval compliance policy.** This includes review of linked information, tweets, and previously approved Company marketing or product materials.

With the development of new media forms, the ways in which Producers of the Company communicate continue to evolve. These interactive media guidelines set forth Company requirements regarding advertising for Producer and employee participants in on-line activity or interactive media communications (interactive media), including blogs, professional networks, and social media such as Facebook, LinkedIn, and Twitter.

**The use of interactive media for communications referencing, discussing or related to the Company's insurance products, variable, registered, or the Company's investment products or securities, or any advertisement related to the Company including the use of the AIG brand is strictly prohibited without prior approval of the Advertising Compliance Review Department and, where applicable, AIG Corporate Communications.**

**For questions or further information, please contact the Advertising Review Department at [AIGLRComplianceAdReview@aig.com](mailto:AIGLRComplianceAdReview@aig.com).**

#### **E. Use of AIG Logo**

The AIG logo and brand are trademarked/copyrighted and may not be used without the express written consent of American International Group, Inc. (AIG). Third parties must obtain permission via a logo-usage agreement from AIG's Corporate Communications Department prior to use.

#### **F. Multi-language/Foreign Language Advertising and Sales Material**

Producers must be able to understand and educate clients on the products using English language policy forms. However, certain advertising may be translated into a language other than English. The submission of advertising and sales material translated into a language other than English must be pre-approved by Advertising Compliance Review and must include the following at the time of submission:

- English version;
- targeted language version; and
- certified translation certificate

The below disclaimer must appear in both English and the targeted language on the requested advertising and sales material; the disclaimer must be included on the material at the time it is submitted to Advertising Compliance for review and approval.

"This document has been translated from English for your convenience. All applications for coverage and all policies or contracts that may be issued are written in English only. You may request an English version of this document. If there is any discrepancy, the English version is the official document."

**NOTE:** Non-English advertising and sales material of registered securities products is prohibited.

#### **G. Advertising in New York**

Producers are prohibited from marketing or promoting an AGL policy or contract in the state of New York. Advertising and sales materials must not imply, directly or indirectly, that AGL conducts business in New York. This includes the airing of television and radio advertisements over state borders for AGL products. Please refer to section XI. Delivering the Policy or Contracts (B.) Cross Border Sales to New York Residents for more information on cross border sales.

### **XVIII. Do Not Call Requirements**

Producers who conduct solicitation of Company's products via telephone, text message, or facsimile must adhere to the Telephone Consumer Protection Act of 1991 (TCPA) and federal and state Telemarketer Registration and Do Not Call (DNC) requirements.

Producers are recommended to seek legal counsel to confirm their solicitation practices meet all TCPA requirements, which include, but are not limited to, obtaining prior express written consent from a party before making telemarketing calls or texts to (i) cellular phones using an automatic telephone dialing system (ATDS) or an artificial or prerecorded voice messages and (ii) residential lines using an artificial or prerecorded voice message. Fines for violation of the TCPA can be up to \$1,500 per call for knowing and willful violations.

Producers must comply with all federal and state Do Not Call (DNC) requirements, which include, but are not limited to, refraining from making telephone solicitations without applicable exemption to any telephone number that has been placed on the National DNC Registry, state DNC lists, and/or the Company's DNC lists. Producers should be familiar with and adhere to the DNC requirements. Fines can be up to \$16,000 per violation.

### **XIX. Escalated Issues and Formal Complaints**

Working earnestly to resolve customer dissatisfaction strengthens relationships with existing customers and helps enhance the Company's and the Producer's reputation for responsive service. For these reasons, it is imperative that: (i) all escalated issues be resolved promptly through the appropriate escalation paths existing within the Service Operations teams – i.e. Service Relationship Management (SRM) and Customer Advocacy Team (CAT); (ii) all formal complaints be submitted to the Customer Solutions Unit (CSU) as described below within two business days of receipt; and (iii) Producers work cooperatively and diligently with the Customer Solutions Unit to resolve customer complaints.

## A. What is a Formal Complaint?

It is the company's policy to handle all complaints fairly, effectively and promptly.

The definition of a complaint is contained within the AIG Global Complaint Handling Policy (available within AIG Contact under "Policies").

The definition states:

*"A complaint is generally a written communication expressing a grievance or dissatisfaction by or on behalf of a customer, which alleges that either AIG itself or an authorized third party, in connection with the provision of, or a failure to provide, AIG products or services, has engaged in (1) unfair, unreasonable or inefficient business practices, (2) conduct in violation of applicable law or regulation, or (3) unethical conduct. Complaints may also include oral communications if:*

- 1. subsequently confirmed in writing;*
- 2. required by applicable law, regulation, or rule; or*
- 3. raised to the level of a complaint after escalation and specifically made on a Company's designated administrative systems that record telephone conversations with customers in the ordinary course of business.*

*Complaints do not typically include ordinary transactions in the course of transacting business, which may take the form of expressions of disagreement or dissatisfaction regarding:*

- 1. insurance terms, premium and pricing or the negotiation thereof;*
- 2. negotiation of coverage and claim resolution; or*
- 3. processing of routine business transactions.*

**NOTE:** Complaints received directly from regulatory agencies may involve ordinary interactions and will be considered complaints covered under this Policy."

## B. Reporting Complaints

Complaints received by Company employees or by Producers must be referred within two business days of receipt to the Customer Solutions Unit (CSU) via fax, mail or email as detailed below. Any Producer referring a Complaint should retain copies of the information in a Complaint file.

To report complaints involving individual policies/contracts and group policies/contracts issued by the Company contact:

**American General Life Insurance Company or The United States Life Insurance Company in the City of New York**

Attn: Customer Solutions Unit

1050 N. Western Street

Amarillo, TX 79106

Telephone: 1-800-929-6252

Fax: 615-749-2840

Email (preferred method of contact):

[csuconsumer@aig.com](mailto:csuconsumer@aig.com)

## C. Resolving Complaints

After receipt of formal complaints, the CSU team investigates each complaint and contacts the complainant directly to resolve promptly and to the customer's satisfaction. To this end, Producers may be requested by CSU to provide a statement regarding the sale or further information. Prompt response within 48 hours is the normal requested turnaround time. Producers are not to contact the complainant or customer about the complaint unless requested to do so by the Customer Solutions Unit.

# XX. Elder and Vulnerable Client Protection

## A. Prevention and Detection of Elder Exploitation and Abuse

AIG Life and Retirement's Elder and Vulnerable Client Care (EVCC) Unit assists AIG member companies with the detection and possible prevention of financial exploitation of AIG's elderly and otherwise vulnerable clients.

Although definitions may differ by state, the North American Securities Administrators Association (NASAA) defines exploitation as:

1. The wrongful or unauthorized taking, withholding, appropriation or use of money, assets or property of an eligible adult (defined as 65 years or older or a person subject to adult protective services in the state or residence); or
2. Any act or omission taken by a person, including through the use of a power of attorney, guardianship, or conservatorship of an eligible adult to:
  - a. Obtain control, through deception, intimidation or undue influence over the eligible adult's money, assets or property to deprive the eligible adult of the ownership, use, benefit or possession of his or her own money, assets or property; or
  - b. Convert money, assets or property of the eligible adult to deprive such eligible adult of ownership, use, benefit, or possession of his or her money, assets or property.

It is important to note that some states define seniors as young as age 60.

Many states require financial institutions and certain covered persons to report suspected elder financial exploitation to the appropriate state agency often within 2 business days of the suspicion arising. Additionally, some states require Producers selling to seniors to complete training on identifying and preventing elder exploitation. Below are some red flags that may evidence signs of financial exploitation:

1. Uncharacteristic withdrawal(s), especially after boyfriend/girlfriend, child, grandchild, or other individual suddenly comes into client's life;
2. Withdrawals with a purpose of paying up-front sum required to receive winnings from sweepstakes and/or a grant from a government agency;
3. Unusual or multiple requests for account changes (e.g., change of address followed by change to bank information or change of beneficiaries);
4. Sudden beneficiary change(s) from family member(s) to new person in the client's life (e.g., grandchild, boyfriend or girlfriend);
5. Increase in transactions after a new Power of Attorney or guardian is added to the account;
6. A caller claiming to be the client, or agent of the client, but not being able to authenticate;
7. A caller claiming to be the client but sounding much younger than the client's age and particularly interested in the account information;
8. A transaction or series of transactions requested that appear to be inconsistent with the client's needs, particularly those that incur fees or penalties;
9. The client is confused about, or does not recall, requesting transactions;
10. Multiple or large withdrawals that the customer cannot explain;
11. Signature on request(s) that do not match the signature on file;
12. A third party or power of attorney controls the conversation and the client defers questions to the third party; or
13. A third party will not allow you to speak with the client; but insists withdrawals or changes are needed by the client.

If you believe that your elderly client is being financially exploited of his or her AIG products, please contact [Elder\\_vulnerable\\_clientissues@aig.com](mailto:Elder_vulnerable_clientissues@aig.com) or call (844) 422-1945.

## **B. Statutory Disinheritance Requirements**

Certain states require the statutory disinheritance of an individual who commits certain felony offenses against a vulnerable adult, including disinheritance from acquiring property from the vulnerable adult. Such property includes life insurance, annuities, and other contractual arrangements.

Disinheritance is required upon receipt of a written notification claiming an individual who is a beneficiary of one of our clients is convicted of abuse, including a financial crime against that client. In addition, regulations require companies to revoke the abuser's ability to act as a fiduciary for the client e.g., Power of Attorney, Trustee, Conservator, Executor). Any Producer who receives such notification must immediately refer the notification to the [EVCC](#).

## XXI. Protection of AIG Company Information

### A. Definitions

#### 1. AIG Company Information

AIG classifies all information into the following categories in descending order of sensitivity: “Highly Confidential,” “Confidential,” “Internal,” and “Public information.” Each category includes both business information and Personal Information.

##### a. Personal Information

Personal Information is any information that identifies an individual or relates to an identifiable individual and that is collected, maintained, or otherwise Handled by, or under the control of, AIG, including information Handled by Third Parties

##### b. Sensitive Personal Information

Personal Information that is classified as Highly Confidential.

#### 2. Highly Confidential Information

Non-Public information that is of such high sensitivity that loss or unauthorized access could materially and adversely impact the business. Material adverse impact to the business could arise from: (i) material financial impacts, loss of customer trust, damage to the brand, civil or criminal complaints, or a strategic disadvantage for AIG, and/or (ii) the obligation to make legal or regulatory privacy or cybersecurity breach notifications.

#### 3. Confidential Information

Non-Public information that is sufficiently sensitive that loss or unauthorized access could significantly and adversely impact the business. Significant adverse impact to the business could arise from: (i) significant financial impacts, loss of customer trust, damage to the brand, civil or criminal complaints, or a strategic disadvantage for AIG, and/or (ii) a legal or regulatory obligation to protect from unauthorized use or disclosure.

#### 4. Internal Information

Non-Public information that is sufficiently sensitive that loss or unauthorized access could have a limited adverse impact on the business. Limited adverse impact to the business could arise from: limited financial impacts, loss of customer trust and/or damage to the brand.

#### 5. Public Information

Information made legitimately available to the general public and/or information developed internally and intentionally released for public distribution by AIG. Loss or access would not have an impact on the business.

For examples of information types falling into these classifications, please refer to the [AIG GLOBAL INFORMATION HANDLING STANDARDS](#). Please note the examples listed do not represent an exhaustive list.

### B. Policy Requirements – All Information

Access to AIG Company Information should be limited to Producers, their employees, and associates (collectively “Producer”) who need to know the information in order to carry out their job functions or to provide timely and appropriate customer service. Such persons should be required to be familiar with and abide by the Company’s privacy policies and requirements set forth herein.

Both during and after a Producer’s affiliation with the Company, a Producer is prohibited, under the terms of the Producer’s contract with the Company, from directly or indirectly divulging, publishing, communicating or making available to any person, corporation, governmental agency, or other entity, or using for his or her own or any other person’s or entity’s purposes or benefit, AIG Company Information (except with the written permission of the Law Department or as ordered by a court of competent jurisdiction or other regulatory authority). If you are requested to provide AIG Company Information, including in connection with a legal or regulatory proceeding, contact the Law Department immediately.

While a Producer is associated with the Company, all AIG Company Information compiled, received, held or used by the Producer in connection with the business of the Company shall remain the Company’s property and shall be securely destroyed or returned by the Producer to the Company upon the termination of the Producer’s affiliation or at any earlier time requested by the Company, in accordance with the terms of the Producer’s contract or employment with the Company.

Producers will be expected at all times, even after their relationship with the Company ends, to adhere to procedures for handling and storing AIG Company Information that are reasonably designed to prevent unauthorized access to or use of the information.

## **1. Information Security**

The duty to protect AIG Company Information is not fulfilled simply by limiting how the information may be used. It is equally important for Producers to maintain a secure environment, in which AIG Company Information is stored, handled and disposed. A Producer's policies and procedures should be designed to reasonably secure AIG Company Information from unauthorized access or disclosure and to preserve the integrity of such Information. Office security should be designed to reasonably protect AIG Company Information whether in hard copy or electronic form. Producers should comply with the following minimum guidelines to help protect against unauthorized access to or disclosure of AIG Company Information:

### **a. Physical Security**

Producers must employ all reasonable means to physically secure AIG Company Information from theft, abuse, damage or unauthorized use. Screens should be locked when away from desks/offices, even if for only a short period. Desktop computers and workstations connected to the AIG internal network must be shut down and powered off during non-working hours. All paperwork containing Personal Information must be secured in a locked office, desk or file cabinet.

Laptops and mobile devices must be secured or under the Producer's control at all times. When away from the office, laptops, briefcases and all mobile devices must be secured in an out-of-sight location such as a hotel safe. Producers should avoid leaving information resources in unattended vehicles whenever possible.

The loss, theft or unauthorized use of an AIG computing device must be reported to the IT Help Desk immediately. The loss, theft or unauthorized use of a computing device storing AIG Company Information must be reported to the Company's management. Please note that for employees, the controls in this paragraph will be managed by the Company.

### **b. Hardware and Software Security**

AIG issued computer hardware and software must not be altered, modified, patched or upgraded without proper authorization. Upon termination of employment or contract with AIG, employees and Producers must immediately return all AIG computing and information assets in their possession or under their control. Do not install or connect computer hardware to the AIG network without management and IT Help Desk approval. Producers must not employ software that remotely connects or controls networks, desktops or servers without authorization.

### **c. Password Security**

Password protect your laptop, mobile devices and removable storage devices (where authorized for use) using a strong complex password. Strong passwords typically contain at least 8 upper- and lower-case letters combined with a number and symbol.

Do not share passwords with anyone including people of authority or administrative assistants. Do not write passwords down on paper or post-it notes and attach to your laptop or store in your computer bag. Passwords must also not be recorded in software files, on electronic devices or on the hard drive of any laptop.

### **d. Virus Protection**

Install antivirus protection on any non-Company-issued computer used for conducting Company business. The antivirus protection must be configured to automatically: (i) search for and download updates daily; and (ii) perform daily virus scans. Virus scans must be completed after updates have been applied. Update all security patches.

### **e. Encryption Protection**

Sensitive Personal Information stored or transferred using electronic portable media, such as USB memory sticks, DVDs, CDs, or tapes where authorized for use must also be subject to encryption protection, as should Sensitive Personal Information held on all laptops, tablets, handheld devices, or other portable devices. Depending on the circumstances and the sensitivity of the information involved, it may be appropriate to encrypt other AIG Company Information (e.g., Highly Confidential Business Information such as Non-Public AIG sensitive financial information or Confidential Information) stored or transferred on electronic media or devices.

**f. E-mail Encryption**

Encrypt all emails sent over public networks (including by email or other internet transfer) that contain Sensitive Personal Information in the body of the email or within an attachment.

Depending on the circumstances and the sensitivity of the information involved, it may be appropriate to encrypt other AIG Company Information (e.g., Highly Confidential Business Information such as Non-Public AIG sensitive financial information or Confidential Information) sent electronically over public networks (including by email or other internet transfer). Also, remember not to include client information in the subject line of emails. Always verify the email address of the intended recipient, including all email addresses contained in distribution lists and auto-completed email addresses, before sending an email. Do not forward emails containing AIG Company Information to your personal email account.

**g. Firewalls/Secure Network**

Install appropriate firewalls and ensure a secure network for both direct and wireless connections. (Please note that for employees, the above control will be managed by the Company). Unsecured internet connections such as wireless “hotspots” at coffeehouses, airports, hotels, etc., may not be used when accessing Personal Information unless you are using a secured VPN.

**h. Other reminders and best practices for protecting AIG Company Information:**

- Refrain from discussing Personal Information if the discussion can be overheard by others;
- Delete/securely dispose of AIG Company Information once it is no longer needed, unless it is subject to a Preservation Notice/Litigation Hold;
- If hard copies containing AIG Company Information need to be disposed of, they should be disposed of by a method that protects the Information from access by unauthorized persons, such as shredding;
- Set “time-out” features on all devices whenever possible to reasonable periods not to exceed 15 minutes; and
- Do not store AIG Company Information, including Personal Information, on any unapproved IT system, computer, device or media. Regarding approved “Bring Your Own” devices (BYOD), AIG Company Information must only be stored in approved applications on the device. Do not store Personal Information on the hard drive of a non-AIG computer

**i. New York Department of Financial Services Cybersecurity Regulation (New York Cyber Rule)**

The New York Cyber Rule requires that AIG maintain a cybersecurity program designed to protect the confidentiality, integrity, and availability of **Information Systems**<sup>1</sup> and **Nonpublic Information**<sup>2</sup>. This program must include procedures to manage risks presented by third-party service providers, including Insurance Producers, agents, agencies and marketing organizations (e.g., all members of the selling hierarchy, collectively “Producers”).

1 Information System means, under 23 NYCRR Part 500, a discrete set of electronic information resources organized for the collection, processing, maintenance, use, sharing, dissemination or disposition of electronic information, as well as any specialized system such as industrial/process controls systems, telephone switching and private branch exchange systems, and environmental control systems.

2 Nonpublic Information means, under 23 NYCRR Part 500, all electronic information that is not publicly available information and is: (1) Business related information of a Covered Entity the tampering with which, or unauthorized disclosure, access or use of which, would cause a material adverse impact to the business, operations or security of the Covered Entity; (2) Any information concerning an individual which because of name, number, personal mark, or other identifier can be used to identify such individual, in combination with any one or more of the following data elements: (i) social security number, (ii) drivers' license number or non-driver identification card number, (iii) account number, credit or debit card number, (iv) any security code, access code or password that would permit access to an individual's financial account, or (v) biometric records; (3) Any information or data, except age or gender, in any form or medium created by or derived from a health care provider or an individual and that relates to (i) the past, present or future physical, mental or behavioral health or condition of any individual or a member of the individual's family, (ii) the provision of health care to any individual, or (iii) payment for the provision of health care to any individual.

3 Multi-Factor Authentication means authentication through verification of at least two of the following types of authentications factors: (1) knowledge factors, such as a password; (2) possession factors, such as a token or text message or a mobile phone; or (3) inference factors, such as biometric characteristics. Examples of Multi-factor Authentication may include fingerprint authentication, facial recognition, and 1-time passwords.

4 Risk-Based Authentication means any risk-based system of authentication that detects anomalies or changes in the normal use patterns of an individual and requires additional verification of the individual's identity when such deviations or changes are detected, such as through the use of challenge questions.

5 Cybersecurity Event means any act or attempt, successful or unsuccessful, to gain unauthorized access to, disrupt or misuse an Information System or AIG's information stored on such system.

The New York Cyber Rule requires Producers to comply with the minimum requirements of AIG's cybersecurity program and have their own policies and procedures in place to comply with the New York Cyber Rule. Key elements of the New York Cyber Rule and AIG's program are below.

- Nonpublic Information held or transmitted by Producers must be encrypted both in transit over external networks and at rest.
- Producers must have effective access controls in place to protect against unauthorized access to AIG Nonpublic Information. Effective access controls include **Multi-Factor Authentication**<sup>3</sup> or **Risk-Based Authentication**<sup>4</sup>.
- Producers must provide prompt notice to AIG of **Cybersecurity Events**<sup>5</sup> directly impacting AIG's Information Systems or Nonpublic Information being held by the firm according to the next section, Reporting Privacy Risk Incidents.

Please note you may be subject to additional security requirements as they become available as both technological and regulatory environments evolve.

## 2. Reporting Privacy Risk Incidents

Producers that become aware of an incident that compromises the confidentiality, integrity or availability of AIG Company Information or the increased risk of such compromise must immediately contact the US Privacy Team at PrivacyTeam.US@aig.com to report the incident.

Please note that this section is applicable to employee or Company-appointed Producers and the controls in this section will be managed by the Company. Non-employee Producers must also report Privacy Risk Incidents involving AIG Company Information.

## C. Policy Requirements – Personal Information

### 1. Collection

Providing insurance and financial products and services involves collecting customer personal, financial and health information that may not be publicly known. The Company and Producers collect information to underwrite products, provide customer service and fulfill legal and regulatory requirements. Regardless of how or why the information is collected or in what form, the Company and Producers are required by state and federal law and Company policies to protect and maintain the confidentiality of such information from disclosure.

Any Personal Information a Producer collects or that was previously collected from an individual on the Company's behalf is subject to its privacy policies and privacy laws. These policies and laws also apply to any list or summary that is created from the Personal Information that was collected on the Company's behalf. For example, a Producer-created list that contains the names and incomes of customers or prospective customers is Personal Information.

Producers should only collect Personal Information that is needed to provide a product or service, or otherwise operate their business.

During any interaction with an individual, the Producer may be working on behalf of the Company, a third party or parties (i.e., companies or individuals not affiliated with the Company), an individual or on the Producer's own behalf. "Affiliate" or "affiliated" means any company that controls, is controlled by or is under common control with another company.

A Producer is collecting Personal Information on the Company's behalf if a Company application or other form identifying the Company is used to record the Personal Information. In addition, a Producer may be acting on the Company's behalf in collecting Personal Information — no matter how it is recorded — if the Producer represents to the individual that the Personal Information will be used to obtain Company products or services or if the Producer intends to use the Personal Information for that purpose.

There is no prohibition against Producers collecting Personal Information on their own behalf, subject to any limitations to the contrary in his or her Producer or employment agreement. However, if a Producer wants to collect or use Personal Information on his or her own behalf, he or she needs to comply with applicable privacy laws. This may require, among other things, that the Producer craft his or her own agency-specific privacy notice for the Producer's current and prospective customers, distribute that notice as the law requires and/or obtain his or her own agency specific customer consent or authorization forms.

The Company's health insurance operations are subject to the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), a federal privacy law that imposes additional obligations with respect to Personal Information. Producers offering the Company's health insurance products may receive additional privacy training from the Company and/or be required to enter into a contract with the Company containing privacy terms required by HIPAA. There are additional privacy requirements which apply to HIPAA covered products. For further information regarding HIPAA covered products, contact [hipaaquestions@aig.com](mailto:hipaaquestions@aig.com).

## **2. Privacy Notice**

Once an individual establishes a relationship with the Company — by purchasing insurance and/ or financial products or services — the Company provides that individual a legally required Privacy Notice. The Privacy Notice describes the types of Personal Information collected on the Company's behalf, how that information will be used and how the Company protects Personal Information. To supplement distribution of the Privacy Notice, Producers may give the Privacy Notice to customers or prospective customers when requested or if the Producer deems it appropriate.

If the Producer collects Personal Information on the Company's behalf or receives Personal Information from the Company, the Producer is covered by the Company's Privacy Notice and must comply with the Company's privacy policies. However, the Company's Privacy Notice will not satisfy the notice requirement, if any, for those situations in which the Producer collects Personal Information on his or her own behalf or on behalf of a third party.

For information regarding the Privacy Notice for HIPAA covered products, please contact [hipaaquestions@aig.com](mailto:hipaaquestions@aig.com).

## **3. Disclosure of Personal Information Collected on the Company's Behalf**

Producers must limit the sharing of Personal Information to those necessary in connection with legitimate business activities. The following outlines the scope of a Producer's authority to disclose Personal Information gathered on the Company's behalf or provided to the Producer by the Company. These disclosure limitations also prohibit Producers from using Personal Information collected on the Company's behalf when acting on their own behalf or on behalf of a third party. These prohibitions apply even after the Producer's relationship with the Company ends.

Producers may only disclose Personal Information to the Company and the service providers the Company specifically designates, provided disclosure is necessary and appropriate, for any one of the following purposes:

- a. To assist with underwriting a Company product or service;
- b. To assist with placing or issuing a Company product or service;
- c. To effect, administer or enforce a transaction with the Company that the individual requested or authorized;
- d. To service or process a Company product or provide a service that the individual requested or authorized;
- e. To assist the Company with claims administration or claims adjustment;
- f. To assist the Company with detection, investigation or reporting of actual or potential fraud, misrepresentation or criminal activity; or
- g. To respond to lawfully served subpoenas or production requests from regulatory or judicial authorities after contacting Legal and providing a copy of the subpoena or request to Legal.

## **4. Marketing**

When an individual's Personal Information will be shared within AIG or with Third Parties for marketing purposes (where permitted by applicable law), the individual must be provided an opportunity to: limit the sharing of such Personal Information (i.e., opt out); or provide consent prior to the sharing of such Personal Information (i.e., opt in), as required by applicable law.

Marketing activities involving AIG Company Information must comply with applicable laws relating to: marketing activities and marketing suppression requests (such as "Do Not Call" and "Do Not Spam"); conducting business via the Internet; e-mail marketing; telemarketing; marketing through direct mail or fax; mobile marketing (including marketing through text messaging); limitations on the use of customer information or consumer report information for marketing or other purposes; and limitations regarding the use of identification numbers, including government-issued identification numbers, such as Social Security Numbers, and other types of Personal Information.

## XXII. Fraud

Each year, insurance fraud costs companies and consumers alike tens of billions of dollars. Most states have adopted laws that require insurers to implement an anti-fraud program to prevent and detect insurance fraud. In many states, insurance fraud is also a felony crime. People who commit insurance fraud may face criminal charges, be ordered to make restitution, and be sued in civil court.

### A. What is Insurance Fraud?

Insurance Fraud is defined as including any deliberate act committed by Insureds, third party claimants or other third parties in connection with an insurance policy to obtain some benefit or advantage to which they are not otherwise entitled.

### B. What are the Elements of Fraud?

The elements of common-law fraud must include an act of deceit that consists of:

1. Intentional misrepresentation of a past/existing material fact or of a promise to perform that the perpetrator knows is false; or
2. Intentional concealment of or a failure to disclose a material fact known to the perpetrator who has a duty to disclose that fact; or
3. Representation of a past/existing material fact that is untrue and that the perpetrator does not believe is true and has no reasonable basis to believe to be true.
4. The perpetrator's intent to induce the victim to rely on the misrepresentation (or on the absence of a concealed material fact) to the victim's detriment (e.g., the victim's parting with money, property, or something else of value);
5. The victim's lack of knowledge of the true facts or of the concealed facts; and
6. Actual reliance on the false statement by the victim.

### C. Who commits fraud?

Fraud can be committed by anyone: applicants for insurance, policyholders, health care providers, third party claimants, Producers, employees of insurance companies and/or professionals who provide services to be paid by insurance.

### D. What are fraud indicators?

Fraud indicators are generally referred to as "red flags". Red flags are items or circumstances that may arise which may warrant a more thorough investigation.

Note: No one indicator by itself may be necessarily suspicious. Even the presence of several indicators, while suggestive of possible fraud, does not mean that fraud has been committed. Indicators of possible fraud are red flags only and are not automatically considered actual evidence of fraud.

### E. What are some examples of red flags?

- Similarity of patient/provider handwriting
- Claims for the DOS (date of service) on a Sunday or holiday
- Inconsistency between provider's specialty and the treatment
- Excessive distance between patient's and provider's address
- Consistent submittal of photocopied or altered claims or withdrawal forms
- Inconsistent provider signature
- Gut feeling (when something just doesn't feel right)
- Death occurred during policy's contestable period
- Identification of insured shows inconsistencies through document examination
- Multiple policies in force at a coverage amount that does not require physical exams
- Health problems learned of before procurement of insurance
- Financial distress
- Beneficiary pushing for quick settlement
- Applicant insists on going to a specific provider for physical exam

- Requestor pushing for expedited processing of a withdrawal or surrender
- Large surrender charge to be incurred by policyholder
- Policy/contract being replaced has been in place for only a short period
- Death occurring outside of the United States
- Unsolicited, new walk-in business not referred by existing policyholder
- Applicant's given address is inconsistent with employment/income
- Applicant cannot provide driver's license or other government-issued photo identification
- Information provided on application appears inconsistent with applicant's business or lifestyle
- Applicant prefers to pay premium in cash, money order, or cashier's check
- Applicant is never available to meet in person and communicates and provides all information only by telephone
- Applicant has an extensive claim history
- Applicant has a criminal record
- Owner has no insurable interest
- Purpose of insurance question reveals a potentially fraudulent activity
- Applicant insists on involving the Producer or Broker in expediting the application and offers a gratuity to do so
- Applicant submits documents that appear questionable or altered
- Individual believes they have a policy with the company, but the Producer indicates the individual loaned them money or invested in their agency or business
- Signature on loan, withdrawal, or surrender request does not appear to match original policyholder signature.
- Policyholder indicates they did not request a loan, withdrawal, or surrender
- Multiple address changes in a short period of time
- Multiple withdrawal requests in a short period of time

#### **F. What are the rights and duties of the insurance carrier?**

All business areas within the Company, including but not limited to New Business, Underwriting, Policy owner Services/ Customer Services, Claims, Information Technology, Compliance, Legal, and Corporate Security are responsible for the detection of potential fraudulent activity by checking for the existence of any red flag indicators of potential fraud in the daily performance of their job duties.

#### **G. Prevention, Detection and Reporting of Fraud**

The Company has established the Special Investigative Unit (SIU) with the primary responsibility for protecting the Company, insured members, business partners, and customers from those who commit fraud.

The SIU is responsible for prevention, detection, reporting, record-keeping and employee training. Should you feel you have detected fraud, you must report this by contacting the SIU directly.

Global Fraud Reporting

Email: [ReportFraud@aig.com](mailto:ReportFraud@aig.com)

Telephone: +1 (646) 857-0438

#### **H. Loss Prevention, Recovery, and Prosecution**

The Company is committed to preventing and recovering losses sustained through pursuing legal action to terminate contractual liability when warranted, seeking restitution and/or prosecution, or undertaking civil actions against persons who have engaged in fraudulent activities. Where the Company has sustained economic or monetary loss, legal counsel will be asked to evaluate the merits of cases to determine the feasibility of a civil recovery action or criminal prosecution.

#### **I. Confidentiality**

Investigation results are not disclosed or discussed with anyone other than those who have a legitimate need to know.

## XXIII. Anti-Money Laundering

As a representative of the Company, you are the front-line of defense against potential money laundering activity involving the insurance industry. Money laundering is the process by which criminals attempt to conceal the nature or source of their illegal funds and disguise them to make them appear legitimate.

The Financial Crimes Enforcement Network (FinCEN) issued regulations requiring insurance companies to develop and implement an Anti-Money Laundering (AML) program. The Anti-Money Laundering Rules for Insurance Companies require insurance companies to fully integrate Producers into their AML program and to provide ongoing AML training.

### Key Considerations:

The following considerations are relevant to help ensure that the firm is collecting sufficient information to know its customers. In other words, after collecting relevant information it can be established that there is reason to believe that the client is who they claim to be, and factors which may be indicators of exposure to elevated risks to the firm, in terms of money laundering activities and/or economic sanctions law (see Economic Sanctions section of this Manual).

#### A. New Business Submission

Conduct information analysis to help ensure the documentation is in good order for submission:

- Has all required information been provided
- Has supporting documentation for the required information been provided
- Has the Social Security number been collected
- Signatures of relevant parties present on documents

#### B. Acceptable Form of Initial Premium Payment

- The proposed insured's or policyowner's personal check\*
- A check\* drawn on the proposed insured's or policyowner's business account
- Bank Draft Authorization and voided check\*
- Credit Card Authorization through Visa, MasterCard or American Express.\* Additional information regarding credit cards:
  - Credit cards are accepted on Term and A&H products only
  - Credit cards are not accepted on Term cases in AK, MD, NC, NJ or NY
  - Bank-issued debit cards are acceptable; however, prepaid credit/debit cards are not
  - Credit cards are not accepted for any annuity products
- Another insurer's check\* issued in connection with a transfer of funds, rollover or exchange
- Check\* drawn on a trust established for the proposed insured
- Check\* written on a FINRA-registered brokerage firm or agency in which the client maintains an account
- Cashier's Check (a.k.a. Official Bank Check) purchased from a U.S. bank
- Cashier's Check\* issued by a financial institution that is also the Policy owner/Contract Owner
- Domestic Wire Transfers

\* All checks must be drawn on a U.S. financial institution

\*\* See the Acceptable Forms of Payment for Initial Premiums Compliance Bulletin for the most up to date list. These options may vary depending on distribution channel, market, etc. (e.g., Foreign Nationals).

#### C. Unacceptable Form of Initial Premium Payment

- Cash
- Money Orders
- Temporary/Starter Checks
- Distributor, Producer or agency checks
- Traveler's checks
- Foreign Wire Transfers

- Credit cards or checks drawn on foreign institutions
- Third-party checks (remitter has no relation to the policy or the check is made payable to someone other than the Proposed Insured/Annuitant, Payor, Owner or Owner's business)
- All other cash equivalents

#### **D. Identifying Potentially Suspicious Activity**

Following is a list of red flags to keep in mind as you meet with customers and prospects (not intended to be all-inclusive) and may warrant escalation:

1. Shows little or no concern for the investment performance of the product, but a great deal of interest about the early termination features and seems to be knowledgeable about early surrender, loans, withdrawals, and free look periods.
2. Is reluctant to provide identifying information when purchasing the product, provides minimal or seemingly fictitious information.
3. Uses a deceased person's Social Security number or provides information that is inconsistent or appears suspicious.
4. Does not want to meet Producer at residence or place of employment or wants to meet during odd hours.
5. Pays initial premium with checks or wire transfers from the account of an unrelated (NOT the Owner, Payor, or Insured) third party.
6. Applies for policy from a distant location when comparable coverage can be obtained closer to home.
7. Accepts unfavorable underwriting conditions for his/her age or health.
8. Does not ask how much the product will cost, does not want to compare products based upon cost/ benefit ratio and may offer to pay higher premium for speed and other accommodations.
9. Presents unusual or suspect personal or business identification documents.
10. Questions whether a government report will be filed based upon transaction.
11. Has criminal record or is publicly associated with known felons.
12. Customer, their family, or close associates, are senior foreign political officials.
13. Has accounts in a country identified as a tax haven.
14. Asks for details about or exception to policies/procedures that deter money laundering.
15. Buys policies from several insurers in a short period of time.

#### **E. Reporting Potentially Suspicious Activity**

If you observe suspicious activity, whether on the part of a customer or a prospect, or are unsure as to whether or not your observations should be considered as potentially suspicious you must take the following steps:

- Contact your Compliance Officer or
- Report your suspicions to the AML Department via email at [AMLOfficer@aglife.com](mailto:AMLOfficer@aglife.com). You must not disclose to the customer or prospect that such a report has been made.

#### **F. AML Training**

Covered product applications will not be processed if one or more of the writing Producers have not completed the required AML training.

#### **G. Disciplinary Action for Non-Compliance**

Facilitating an attempt to launder funds, or failing to report suspicious activity, will result in disciplinary action, including the termination of your appointment with the Company.

### **XXIV. Economic Sanctions**

The Company is subject to the provisions of certain programs and economic sanctions administered by the Office of Foreign Asset Control (OFAC). OFAC maintains various government lists, including, but not limited to the "List of Specially Designated Nationals and Blocked Persons" (SDN List). The lists include entities, organizations, persons or marine vessels that are connected to, or suspected of, certain activities, such as global terrorism, proliferation of weapons of mass

destruction, and narcotics trafficking. U.S. persons are not allowed to transact business with parties designated on the various lists, unless specifically authorized by OFAC via a license or interpretive ruling. Such license or interpretive ruling would be obtained through coordination with AIG Global Compliance, who communicates directly with OFAC.

As the initial point of contact with the customer, it is important that you obtain appropriate information to verify the identity of all parties (Insured/Annuitant, Owner, Payor, Beneficiary and Beneficial Owner, where applicable) to the policy or contract. Information provided at application is essential to enable the Company to identify a true match to a subject on one, or more, of the watch lists as well as to promptly resolve an invalid match. The following information will facilitate the validation of the insured/annuitant, owner and/or payor's identity without delay to the new business process. As applicable based on business line:

1. Social Security number
2. Driver's license number and issuing state
3. Physical home address (no P.O. Box)
4. Mailing address (if different from physical home address)
5. Date of birth
6. Country of birth
7. Passport and/or visa number (if not a U.S. citizen)

If you encounter a customer unwilling to provide the required information, you should:

- Contact your Compliance Officer or
- Report the information via email to [AMLOfficer@aglife.com](mailto:AMLOfficer@aglife.com)

## XXV. Unfair Competition is Prohibited

In conducting Company business, all Producers must engage in fair competition. Fair competition means that the Company, its employees and its Producers will not use tactics that unfairly hurt competitors (e.g., competitor bashing) or customers (e.g., agreements with other insurers to raise prices). In particular, Producers shall provide only information that is factually accurate and shall avoid withholding information that is clearly relevant to the customer's decision to buy an insurance or annuity product.

To this end, Producers must not engage in (i) making disparaging remarks about competitors; anti-competitive or unfair or deceptive trade practices; and (iii) tying or bundling (all defined below).

### A. Disparaging Remarks

In conducting Company business, Producers should focus on the strength of the Company and must refrain from making disparaging remarks about competitors (i.e., untrue or misleading statements, inaccurate comparisons, malicious or derogatory criticisms of any kind regarding an insurer's financial condition or comments that could be considered competitor bashing). Both oral and written disparaging remarks are prohibited. While disparaging remarks do not include relevant, factually accurate information, they do include statements made to dissuade a customer from doing business with a competitor if the information is not accurate or complete. Note that those who make disparaging remarks in violation of Company policy may also be personally subject to legal proceedings.

### B. Anti-competitive or Unfair or Deceptive Trade Practices

Producers must refrain from engaging in any activity that may cause an unreasonable restraint of trade or is an unfair method of competition. An unreasonable restraint of trade generally results from written or oral communications between competitors (including discussions at trade meetings) that stifle competition, effect a monopoly, artificially maintain prices or otherwise obstruct the free and natural course of trade. Engaging in such anticompetitive activities could result in significant fines and penalties.

Such prohibited activities include, but are not limited to:<sup>1</sup>

1. **Allocation of markets**, which is an arrangement between two or more competitors to divide customers, allocate territories or markets or control their respective output of goods or services.
2. **Price fixing**, which is a formal or an informal agreement between competitors that interferes with free market prices (even if the prices are lowered as a result). In the insurance industry, the term price fixing includes anything that impacts the cost to the Company or the value received by the customer, such as premiums (or any part of the premium formula), dividends, surrender charges, commission rates, classification ratings, deductibles and interest rates (on reserves, policy loans, prepaid premiums and settlement options).

<sup>1</sup> These examples are not inclusive of all scenarios and are provided for illustrative purposes only.

3. **An agreement among competitors to boycott** or to refuse to deal with a third party, such as a competitor, a customer, a supplier or an independent Producer.
4. **Inducements.**<sup>2</sup> Producers must not offer, promise, allow, give, set off or pay any inducements not specified in the contract including: (i) any refund or return of premium, including, but not limited to, rebating; (ii) any return of commissions; (iii) any special advantage in the policy or age of issue; (iv) any paid employment; (v) any contract for services; (vi) any stocks, bonds, securities or property; or (vii) any other valuable consideration. Producers with questions regarding the use or value of consideration of gifts should contact the Compliance Department.
5. **Tying or Bundling.** Tying or bundling is an arrangement to sell one product or service on the condition that the buyer also purchase an additional product or service. Producers must not attempt to tie the sale of one Company product or service to the sale of another product or service. Customers may, of course, be offered the opportunity to purchase multiple products, so long as they are not required to purchase one product in order to be offered another product. Additionally, Producers are prohibited from requiring or implying that a supplier must make purchases from the Company as a condition of obtaining or maintaining the Company's patronage.

## XXVI. AIG Global Anti-Corruption Policy Summary for Third Parties

American International Group, Inc., along with its subsidiaries and affiliates (collectively "AIG"), is committed to conducting its business in accordance with the highest ethical standards and in full compliance with all applicable anti-corruption laws and regulations in the United States and in other jurisdictions in which AIG operates or does business.

As part of that commitment, AIG's Global Anti-Corruption Policy ("the Policy") requires third parties acting on behalf of AIG, including but not limited to, consultants, Producers, and sales agents, to comply with AIG's standards in connection with anti-corruption compliance.

The purpose of this document is to summarize AIG's expectations, for third parties acting on behalf of AIG.

### A. Definitions

1. "Anything of value" includes, among other things, cash and cash equivalents (e.g. gifts cards) in any amount; gifts; meals, travel, and other hospitality (including that associated with training); training; in-kind services; business, employment, or investment opportunities; contractual rights or interest; discounts or credits; commissions, brokerages, kickbacks, rebates, loans, or other compensation; assistance to or support of family members; payment of medical expenses; political donations and charitable contributions.
2. "Government Official" includes, among others, all officers, employees, agents, or other individuals acting in an official capacity for or on behalf of any government, its departments, agencies, or instrumentality, including government- or state- owned or controlled entities (e.g., national oil companies, state-run utilities, public hospitals, sovereign wealth funds). The term also includes any officer, employee, agent, or other individuals of a political party, public international organization (e.g. the United Nations or the World Bank); members of royal families; and candidates for political office.
3. "Improper Performance" means the performance or non-performance of an act, or the making of a decision, in breach of an expectation or duty of good faith, impartiality, and/or trust.

### B. Prohibited Conduct

The Policy expressly prohibits third parties acting on behalf of AIG from engaging in the following types of conduct:

#### Government Official Bribery

- Offering, promising, authorizing, or paying anything of value to any Government Official for the purpose of inducing the Government Official to use his/her influence to obtain, retain, or direct business to AIG or to any other individual or entity, or to otherwise secure an improper business advantage; and
- Agreeing to provide anything of value to a Government Official or other person/entity when directly or indirectly demanded by the Government Official or person/entity in exchange for a promise to act or refrain from acting in relation to his or her duties

#### Commercial Bribery

- Offering, promising, authorizing, or paying anything of value to any employee, agent, or representative of another company, or to any other person or entity, to induce or reward the Improper Performance of any function of a public nature or an activity connected with business activity

<sup>1</sup> These examples are not inclusive of all scenarios and are provided for illustrative purposes only.

<sup>2</sup> Information System means, under 23 NYCRR Part 500, a discrete set of electronic information resources organized for the collection, processing, maintenance, use, sharing, dissemination or disposition of electronic information, as well as any specialized system such as industrial/process controls systems, telephone switching and private branch exchange systems, and environmental control systems.

### **Accepting or Receiving a Bribe**

- Requesting, agreeing to receive, or accepting anything of value from any individual or entity as an inducement or reward for the Improper Performance of any function of a public nature or an activity connected with business activity

### **C. Potentially Risky Conduct**

The Policy recognizes that a number of otherwise permissible activities pose a particular risk of resulting in violation of anti-corruption laws and requires third parties acting on behalf of AIG to use heightened caution when engaging in these activities. In addition, AIG requires third parties to adhere to the following guidelines when acting on behalf of AIG:

1. Gifts, meals, travel, and other hospitality for Government Officials or other individuals are permitted provided such expenditure:
  - a. Is not lavish or extravagant;
  - b. Does not occur on a regular or frequent basis;
  - c. Is directly related to the promotion of AIG products or services; and
  - d. Is permissible under the relevant laws and regulations of the recipient's country.
2. Government Official customers are permitted provided they are not given special benefits, credits, discounts, services, or anything of value that are not otherwise provided or available to similarly situated non-Government Official customers.
3. Third parties may hire Government Officials or family members of a Government Official provided the hired individual does not receive special treatment or favors because he/she is a Government Official or family member of a Government Official.
4. Third parties are permitted to obtain government licenses, permits, and regulatory approvals on behalf of AIG provided no payment is made that will ultimately be given to a Government Official for his/her benefit in exchange for the Government Official's assistance or influence in improperly obtaining a government license. The same limitation applies to payments made to resolve disputes with local government agencies or departments.
5. Third parties acting on AIG's behalf are generally not permitted to offer, promise or make facilitation payments—which are small payments to Government Officials in exchange for performance or expedition of a routine, non-discretionary act.

## **XXVII. Workplace Issues**

Every individual who is contracted with the Company is required to follow the ethical and professional standards set forth in this Manual in all interactions with customers, colleagues, and Company employees. The Company expects Producers to maintain professionalism and uphold these same standards in the operation of their workplaces and in their interactions with customers, colleagues, and Company employees. Producer appointments with the Company are dependent upon compliance with all Company policies and procedures, and professional conduct that is consistent with the Company's standards.

## **XXVIII. Discipline for Policy Violations**

The Company has prepared this Manual and adopted the policies and procedures as part of a comprehensive effort to subscribe to high standards of conduct. To help us achieve this goal, we expect our Producers to abide by applicable laws and regulations and to uphold the Company's policies and procedures as reflected in this Manual and other established Company practices. The Company reviews suspected violations of laws, regulations and/or Company policies.

As appropriate, the Company will investigate alleged violations by Producers, and, where the investigation concludes that a violation has occurred, it will determine any appropriate disciplinary action. Producers must cooperate with the Company and respond to any inquiry, audit, or investigation on Producer and/or their employees, staff, or contractors.

In determining whether a particular disciplinary action is appropriate, a variety of factors will be weighed by the Company, including, but not limited to:

1. Prior or similar violations.
2. Whether a reasonable explanation for the violation exists.
3. Whether the conduct was intentional, reckless or negligent.
4. The scope, nature and magnitude of the violation.
5. The Company policies that were violated by the improper action.

6. Whether the violation was caused principally by a failure to supervise rather than by the Producer's or employee's misconduct.
7. The harm done to the policyholder or policyholder's or the Company's reputation.
8. How the Company learned of the violation.
9. Any other additional details.

With respect to policy violations by Producers, among other things, the Company has available to it the following actions:

1. Termination of contract/employment.
2. Increased supervision.
3. Reversal or alteration of commissions or other financial penalties.
4. Privilege revocation (awards and conventions).
5. Letter of reprimand and/or probationary status.
6. Counseling.
7. Additional required training courses.

These disciplinary actions are not mutually exclusive and should not be read as in any way limiting the Company's discretion to impose another sanction that it deems appropriate based on the actual facts and circumstances presented.

## **XXIX. Compliance Contact Information**

### **Compliance Department**

2919 Allen Parkway, L3-20 Houston, TX 77019

### **Compliance Help Line**

1-877-AIG-2210 or 1-877-244-2210

**We see the future in you.<sup>SM</sup>** — 

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