

# COMPLIANCE GUIDELINES FOR OUR PRODUCERS

## IN TODAY'S MARKET PLACE

### *Our Company Producer Standards and Best Practices*

**IA American Life Insurance, American-Amicable Life Insurance Company of Texas, Occidental Life Insurance Company of North Carolina, Pioneer American Insurance Company and Pioneer Security Life Insurance Company**, based in Waco, Texas, referred to collectively as “the Company”, provide life and health insurance coverage to meet the financial needs of its customers through the sale of life insurance policies and annuity contracts. The Company is owned by a Canadian life insurance company, Industrial Alliance Insurance and Financial Services Inc. of Quebec City, Quebec. These Guidelines apply to all lines of business sold by the Company and to all of its Producers.

### **Ethical Standards**

High ethical standards of market conduct are the responsibility of all persons in our industry, from those in the home office to those in the field. Having such standards is not always enough. Even such high standards need to be combined with diligent compliance in today's regulatory environment.

Our Company adheres to six basic principles of ethical market conduct. They are:

1. To conduct business according to high standards of honesty and fairness, and to render that service to its customer-focused sales and services.
2. To provide competent and customer-focused sales and services.
3. To engage in active and fair competition.
4. To provide advertising and sales materials which are clear as to purpose and honest and fair as to content.
5. To provide for fair and expeditious handling of customer complaints and disputes.
6. To maintain a system of supervision and review that is reasonably designed to achieve compliance with these six principles.

Abiding by these standards will be beneficial to the public and the insurance industry. High ethical standards are the foundation of good business sales and service and will help secure a competitive advantage in the market place by serving the public in a highly ethical manner with full compliance with these standards and use of these practices.

The Company reserves the right to take any appropriate disciplinary action if it finds that a Producer has violated any of the six principles. Actions may include termination of the Producer appointment and notification to the appropriate Department of Insurance. Should you ever have

any questions regarding ethical market conduct, please contact our Legal/Compliance Department at 888-757-3732 or e-mail us at legal@iaamerican.com.

## **Policyholder Commitment**

The Company is committed to providing our Producers and our Policyholders with quality products and excellent service. As a Producer for the Company your ethics and conduct are the key to establishing trust and building long-term relationships with our customers. In your position, you are called upon to determine the needs and goals of the customer, and must hold all information gathered in this process in strictest confidence. You must also give the customer full and adequate disclosure of all facts necessary to enable the client to make informed decision. The customer's interests must always be placed above your own in deciding which product is most beneficial for the customer. Your role in this process is vital to the accomplishment of this Company objective.

## **Licensing and Appointment**

The Company requires that all Producers be properly licensed and appointed with the Company before soliciting business, as required by state licensing regulations. We also run a credit report and Vector check for debit balances with other companies. The Company complies with the Federal Violent Crime Control and Law Enforcement Act that makes it a crime for a person to begin or continue working in an insurance business if:

1. the person has been convicted of a felony involving dishonesty or breach of trust, or
2. the person has been convicted of:
  - making any false statement to insurance regulators,
  - misappropriating property from anyone in the insurance business,
  - making any false entry in books, reports or statements in order to deceive anyone regarding the financial condition of an insurance business, or
  - improperly influencing/attempting to influence an insurance regulatory proceeding.

Conviction of a violation of the Act is punishable by imprisonment for up to 15 years and by fines. A violator of the Act is also subject to civil penalties of up to \$50,000 for each violation.

A person who has been convicted of one of the crimes mentioned above can begin or continue working in an insurance business only if the person obtains written consent from the appropriate state insurance commissioner. Therefore, the Company performs a criminal background check on all Producers prior to appointment. Producers are also required to attest to any changes in their status at every renewal.

Your license to sell insurance with the Company requires that you abide by all of the laws, rules and regulations of any state in which you are licensed to conduct business. In some states,

Producers are not allowed to take an application prior to licensing and/or appointment. Check with our Licensing Administrator for state specific rules.

## **Competent and Customer Focused Solicitation and Sales**

Competent and customer focused sales are based upon an analysis of the customer's needs and financial objectives. You should carefully consider each customer's circumstance and future expectations when making product recommendations. Products change quickly in the marketplace. Make sure you understand the features and mechanics of the products that you are recommending. Make clear and competent presentations to be sure your customer understands how the product you are recommending works and how it will address his/her needs and financial objectives. You should review all the proposed policy features with the customer, including values and benefits, premium structure, guarantees, expenses, surrender charges, limitations and exclusions, as well as a comparison with any existing coverage.

The most successful Producers base their business on people – not products. The best way to sell is to serve people first. Serving people's interests leads to repeat business, encourages referrals, and builds your reputation.

## **Presentations**

Before the Producer begins his/her sales presentation, he/she must first identify himself/herself as an insurance Producer giving his/her full name and the complete name of the insurance company he/she represents.

When making the sales presentation, the Producer must conduct himself/herself in an ethical and professional manner so as to not violate his/her state's Unfair Trade Practices Act. The restrictions of this act include, but are not limited to, the following:

- A Producer cannot make any misrepresentative, misleading, false or deceptive statements, or act in any fraudulent or unethical manner.
- A Producer cannot knowingly lead applicants to believe they will receive something other than life insurance. The Producer must always identify the product as "life insurance." He/she specifically cannot refer to the product as a "retirement plan", "savings plan", or "investment".
- A Producer cannot use words or phrases which exaggerate any benefits or limitations, exceptions or reductions of benefits.
- A Producer cannot describe any policy provisions or benefit without fairly and accurately describing all limitations, exceptions or reductions of benefits.
- A Producer cannot use any insurance words, phrases or other terminology which might not be clearly understood by the applicant.

- A Producer cannot identify himself/herself as an estate planner, financial planner, investment advisor or financial consultant, unless he/she is so licensed.
- A Producer must explain that life insurance cost indexes are useful only for the comparison of the cost of two or more similar products.
- A Producer cannot compare life insurance policies or cash values to savings, savings accounts, stocks, bonds or any other financial instrument or investment in such a way as may mislead a person as to the true nature of life insurance, surrender values, or other policy benefits.
- A Producer cannot make any unfair or incomplete comparisons of other insurers, their policies, benefits, Producers, service, method of marketing or compare unlike policies.
- A Producer cannot make an impression to prospective insured's that the insurance product is endorsed, or accredited by any division or agency of the state or federal government. Products may, however, be offered or made available by an agency through payroll deduction.
- A Producer cannot use terms such as "deposit", "deposit premium", "investment" or other such misleading or confusing terms, when referring to amounts which are in fact premiums for life insurance coverage.
- A Producer cannot represent that the insurance product is an introductory, initial or special offer, or that applicants will receive substantial advantages given only a specified group of individuals.
- A Producer is prohibited from making any statement or implication to the effect that only a specific number of policies will be sold, or that it will be sold for a limited time period.
- A Producer cannot present benefits showing guaranteed and nonguaranteed benefits as a single sum unless they are also shown separately in the same area of the presentation.
- A Producer cannot use the existence of any state's Guaranty Association for the purpose of inducing the purchase of insurance.

## **Wills and Trusts**

In recent years, there has been much litigation over the use of living trusts in connection with the sales of financial products. While a living trust can be a valuable financial tool, the mass marketing of the concept is not appropriate.

Our Producers should not serve in any capacity with the living trust, as this creates a conflict of interest. The provisions of any product should be fully discussed with the trustee to ensure that the policy is consistent with the objectives of the living trust.

Our products should never be marketed as "Medicaid-friendly" products. Our products are not designed to protect assets while allowing the owner to qualify for Medicaid benefits.

The Company does not provide tax or legal advice. Clients should consult with their own advisors to determine if a living trust is appropriate for them.

## **“Do Not Call” Regulations/Telemarketing Concerns**

In October, 2003, the Federal Communications Commission (“FCC”) established a “do not call” registry regarding telephone solicitation to consumers made by all commercial business, including insurance. Many states passed their own version of the registry. These regulations may limit your sales activities. You need to be aware of and comply with the FCC rules and any applicable state laws. For more information, log onto the FCC website at [www.fcc.gov/cgb/donotcall](http://www.fcc.gov/cgb/donotcall).

### **Telemarketing**

The Company intends to comply fully with all applicable federal and state “Do Not Call” laws and regulations regarding telephone communications and requires that all Producers do the same. These policies and procedures apply to all communications to any wireless or residential telephone number.

1. The Producer shall maintain a “Producer specific” do not call list and shall promptly honor a request to be placed on that list within a reasonable time of such request, not to exceed 30 days from the date of the request. Any consumer who asks not to be contacted by telephone shall be placed on the list, including consumers who previously consented to being contacted. A consumer may make the request orally or in writing. Each entry on the “Producer specific” do not call list shall be retained for at least five (5) years. The Producer shall not call or fax or in any way contact numbers listed on the “Producer specific” do not call list.
2. In order to comply with applicable do not call laws, the Producer shall ensure that each representative of the Producer involved in outgoing communications programs meets any and all applicable insurance-related requirements of the appropriate states and further shall undergo periodic training as to the applicable law regarding telephone solicitations, including a review of the applicable rules regarding do not call restrictions.
3. Prior to making any call to a consumer:
  - a. The producer shall check the “Producer specific” do not call list. No calls shall be placed to numbers on the “Producer specific” do not call list.
  - b. All outgoing marketing or solicitation calls and all calling lists will be screened against federal and state do not call lists. The Producer shall periodically purchase or otherwise obtain, not less frequently than every 31 days, the applicable National Do Not Call database for the area in which the Producer makes telephone solicitations for the purpose of compliance with the “do not call” provisions of state and federal law. A copy of the National Do Not Call database shall be readily accessible.
  - c. No solicitation or marketing call shall be placed to a number listed on the federal or applicable state do not call list unless:

- i. the Producer has the consumer's prior express permission, evidenced by a signed written agreement which states that the consumer agrees to the contact and includes the telephone number to which the call may be placed;
- ii. the Producer's representative making the call has a personal relationship with the recipient of the call (a personal relationship means that the person called is personally known to the caller); or
- iii. the Producer has an "established business relationship" as defined by law. Under federal law, an established business relationship means the consumer has made a purchase from the Producer within 18 months prior to making the call or an inquiry or application has been made by the consumer to the Producer or its representative within three months prior to the making of the call. An application or inquiry must be of such a nature that the consumer would expect to receive a call from the Producer. Some state laws include additional limitations on the exception for established business relationships.

#### **4. Prohibitions**

The Telephone Consumer Protection Act (TCPA) and other state and federal laws and regulations place strict limitations on certain telemarketing practices and impose significant penalties for violation. For that reason, the following practices are not permitted for Producers doing business with the Company. In the event of any question regarding the provisions of applicable law or these Do Not Call Policies and Procedures, please contact the Compliance Officer for guidance.

- A) **DO NOT** use an automated dialing machine in any marketing or solicitation call. Telemarketing calls must be manually dialed.
- B) **DO NOT** use any technology to dial a telephone number for the purpose of determining whether the line is a fax or voice line nor use an automatic telephone dialing system or artificial or pre-recorded message in any marketing or solicitation call.
- C) **DO NOT** use any system which blocks the transmission of caller ID information.
- D) **DO NOT** use prerecorded voice messages. All telemarketing calls must be placed by a live caller.
- E) **DO NOT** make calls before 8:00 a.m. or after 9:00 p.m. local time for the receiver.
- F) **DO NOT** make second calls to receivers if that prospect so requests.
- G) **DO NOT** advertise by text message.
- H) **DO NOT** send unsolicited fax advertisements. You may only fax to a prospect you have already spoken with and who has requested information by fax. All faxes must include required opt-out language.
- I) **DO NOT** engage third-parties who employ any of the practices listed above.

## **5. Scripts and Caller Identification**

- A) Telemarketing approaches are a form of advertising and must follow the same approval process as any other advertisement. All telemarketing approaches, whether appointment generating only or solicitation calls, must be typed into a script and submitted to the Marketing Sales Department. Marketing will then work with the Legal/Compliance Department to obtain the required approval.
- B) Within the first 30 seconds, the telemarketing script must:
  - 1. identify the caller by first and last name;
  - 2. identify the specific insurance carrier the caller represents;
  - 3. state the purpose of the call; and
  - 4. identify the specific type of insurance for which the call was made.

Some states allow lead/appointment generation by nonlicensed individuals. However, all solicitations by phone must be handled by licensed agents. Solicitation includes any description of the policy benefits, policy terms, premium amounts, etc.

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## **CAN-SPAM COMPLIANCE**

The Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (“CAN-SPAM”) governs the use of commercial email sent to clients and prospects. It is intended primarily to prevent commercial emails that are designed to mislead or deceive recipients. It also imposes certain obligations on legitimate users of commercial email, such as providing recipients with a means to “opt out” of receiving future email if they so choose. Violations of CAN-SPAM can result in both civil and criminal penalties.

For email solicitations, Producers must:

- A) Include an “opt-out” message on all outgoing emails;
- B) Include a valid return email address or other Internet-based mechanism (such as a link to a web page) that permits a recipient to opt out of receiving further emails from that sender;
- C) Include the name, phone number, and physical address of the sender;
- D) Refrain from using false headings, deceptive subject lines, or any other misleading statements in email.

## **Fair/Unfair Competition**

Fair competition includes presenting policy benefits and values while comparing them to a competitor's benefits and values. Unfair competition occurs when false or maliciously critical information about a competitor or its policy is used to persuade or induce a purchase. A presentation that includes correct and accurate information about the policy and a competitor can be the key to a successful sale.

When an individual considers the purchase of an insurance policy or annuity contract, it is crucial that he/she understand what they are buying. For that reason, do not use terms like "investment", "investment plan", "savings", or "saving plan" when describing life insurance or annuities or the terms "deposit" or "contribution" when referring to premiums. Terms such as financial planner, investment advisor, and financial consultant may not be used in a way to imply that a Producer has special licensing or educational certification to provide those financial services unless it is true.

The best method of avoiding problems is to be certain that the client understands that you are acting as an insurance Producer. In this regard, state life insurance solicitation regulations require that you inform the prospective purchaser, prior to commencing the sales presentation, that you are a life insurance Producer and provide your full name.

During a sales presentation, focus on the policy information and benefits and avoid making disparaging remarks about a competitor or company. Satisfied consumers understand the policy information and are pleased with their decision to purchase the policy. Life insurance policies and annuity contracts have many positive attributes that a Producer can rely on when making a sale. There should be no reason for any misrepresentation of the policy or contract. Please refer to any applicable statutes in your state regarding unfair practices.

## **Prohibited Designations**

The Company, in connection with the sale, solicitation, purchase or the providing of advice by a Producer regarding and of its products, prohibits the use of the following:

- a. Use of a certification or professional designation by an insurance Producer who has not actually earned or is otherwise ineligible to use such certification or designation.
- b. Use of nonexistent or self-conferred certification or professional designation.
- c. Use of a certification or professional designation that indicates or implies a level of occupational qualifications obtained through education, training or experience that the insurance Producer using the certification or designation does not have; and
- d. Use of a certification or professional designation that was obtained from a certifying or designating organization that;
  1. Is primarily engaged in the business of instruction in sales or marketing;
  2. Does not have reasonable standards or procedures for assuring the competency of its certificants or designees;
  3. Does not have reasonable standards or procedures for monitoring and disciplining its certificants or designees for improper or unethical conduct; or



4. Does not have reasonable continuing education requirements for its certificants or designees in order to maintain the certificate or designation.

### **Permitted Designations**

The Company recognizes the following certifications and designations. This listing may not be all inclusive. See the section “Other Permitted Designations” below.

- a. CASL®
- b. CEBS®
- c. CFA®
- d. ChFC®
- e. CLF®
- f. CLU®
- g. CPA
- h. CPC
- i. CTFA
- j. JD or LLB (licensed)
- k. (Graduate Degrees in Financial Services) MBA, MS, MSFS, MSM, PhD
- l. REBC®
- m. RHU®

### **Other Permitted Designations**

The Company may approve other certifications and designations if the proper information with a request for approval is submitted to the Marketing Department. The approval will be based on the substance of the training required, a commitment to a code of ethics, the reputation of the institution granting the certifications and designations and its continuing education requirements.

### **Suitability**

You must have reasonable grounds for believing that your recommendation is suitable for the Customer based on facts disclosed by the client regarding his or her investments, other insurance products and financial needs and goals. To assist you in obtaining information to help in determining if an annuity is suitable, the Company will provide you with a form for use in obtaining it. Suitability information to be obtained at a minimum includes the customer’s age, annual income, financial situation and needs, including the financial resources used for the funding of the annuity, financial experience, financial objectives, intended use of the annuity, financial time horizon, existing assets, including investment and life insurance holdings, liquidity needs, liquid net worth, risk tolerance and tax status.

You also need to ensure that the Customer has been reasonably informed of various features of the annuity, when applicable, such as the potential surrender period and surrender charge, potential tax penalty if the Consumer sells, exchanges, surrenders or annuitizes the annuity,

mortality and expense fees, investment advisory fees, potential charges for and features of riders,

limitations on interest returns, insurance and investment components and market risk.

Ask other questions that can help determine if a policy or contract should be recommended. Compare the values, costs and benefits of any existing policy that may be surrendered or replaced. You must develop presentations and make recommendations for each product that are reasonable and suitable for applicants and based upon the facts described by applicants for their individual situation and needs.

## **Seniors**

A senior is anyone who is 65 years or older. With the baby boomers approaching retirement, there is a market for conservative retirement products such as fixed annuities and final expense policies. This market will continue to grow with the aging population.

There are many factors that you should consider before recommending a product to a senior. But always keep the following in mind and be especially sensitive to all of their needs.

- Suitability – Just as it is for all annuity clients, it is critical that the products you recommend to seniors are suitable for them and meet their needs. If the senior is applying for an annuity, you need to obtain any additional information that will help to determine the suitability of the product for the senior.
- Risk tolerance – when working with any client, including a senior, it is essential that you determine his or her risk tolerance. A senior is more likely to be adverse to risk. If in doubt, rely on less aggressive investment strategies.
- “Buyer’s remorse” – You should never assume that your client understands the concept and operation of a policy or contract. This is especially true with some seniors. Fully explain all the features, benefits, exceptions and limitations of the product you recommend. If there is any question, make sure that it is answered, and your client fully understands what he or she is buying. This will help prevent buyer’s remorse.
- Other advisors – Ask your clients if there are others who are advising them. This not only includes their accountant, attorney or broker, but friends and particularly other family members, especially if they are a beneficiary. Whenever possible, try to cooperate and work with the advisor, keeping in mind however, that your loyalty lies with your client.

The key to avoiding any problem is documentation of the sales presentation, especially the factors you considered in recommending a product. This documentation must be kept, to avoid any questions of what occurred after the free-look period has expired, and even years later.

## **Replacements**

Replacements are, and continue to be, the focus of regulatory scrutiny. Great care and attention should be given to any decision to replace an existing policy. Replacements should not be done if it is not in your client’s best interest, both short and long term. You should refrain from making

any replacement sale that is contrary to your client's best interests and could be considered "churning" for a commission only.

The definition of replacement goes beyond the surrender of one policy and subsequent purchase of another policy. As a Producer, you should be aware of all of the transactions that are considered a replacement. For example, a replacement may occur when a policy has been or is to be:

- lapsed, forfeited, surrendered, otherwise terminated.
- converted to reduced paid-up insurance, continued as extended term insurance or otherwise reduced by the use of Nonforfeiture benefits.
- reduced in value through a withdrawal or partial surrender.
- reissued with a reduction in cash value.
- pledged as collateral or subjected to borrowing where the aggregate loan exceeds a state specified percentage of the loan value of the existing policy.
- amended by reducing or eliminating ancillary benefits, such as waiver of premium or accidental death benefits.
- used in a financed purchase.

A replacement can be internal or external. An external replacement occurs when a policy is replaced by another insurer. An internal replacement occurs when an existing policy is exchanged for a new policy from the same insurer.

The Company's position is that the suitability of the life or annuity product and appropriateness of replacement must fit your client's needs. There are indicators to determine whether a replacement is in the best interest of the client.

A replacement may be in the client's best interest:

- if the benefit amount can be increased for the same or similar premium
- if the policy can remain in force longer for the same or similar premium.
- if the accumulation value will increase for the same or similar premium.
- if the premium payment period is shorter for the same or similar premium.
- if the customer can purchase the same benefits for a lower premium.

Comparisons between an existing product and a proposed product must accurately and fairly describe the policies' provisions and values. You should discuss the advantages and disadvantages of any potential replacement with your client. Remember to address:

- any required evidence of insurability.

- the contestability and suicide provisions of the existing and proposed policies.
- the loan provision and loan interest rate of both policies.
- any surrender charges and/or expense fees associated with both policies.
- the premium requirements of the proposed policy.
- the present and future values of both policies.
- the current interest and mortality charges of both policies.
- whether the replacement can qualify as a Section 1035 exchange.

Depending upon the circumstances, a replacement may or may not be in the best interest of your client. In many cases, a new application submitted on an existing policyholder with the intention of replacing existing business (internal replacement) is not in the best interest of the client or the Company.

Internal replacements must be approved by the Company and may require additional disclosures to the client. The Company reserves the right to adjust commissions payable on internal replacements in its sole and absolute discretion. This may result in a reduction of some or all commissions that would otherwise be payable.

You have a responsibility to make sure that your client has all of the necessary facts in order to determine if the replacement is in his/her best interest. The Company requires that a replacement form be completed for every sale that involves replacement. When a replacement is appropriate, be certain to use the appropriate replacement disclosure forms contained in the application packet, or on our website at [www.iaamerican.com](http://www.iaamerican.com)

## **Replacement Monitoring**

The Company recognizes that replacement activity varies by product type. For example, insurance carriers with a high volume of term business often experience a higher percentage of replacement activity due to the increasingly lower premium rates available in the marketplace.

The Company monitors replacement activity on an ongoing basis for trend analysis purposes. All applications submitted are reviewed for the necessary replacement forms, and the replacement forms are reviewed according to the replacement guidelines given above.

Should the level of replacement activity for a Producer or agency present a concern, the Company will investigate the matter further and discuss the issue with the Producer and/or agency. The Company may also report unethical replacement activity to the appropriate state Department of Insurance.

## **Churning**

Churning is a prohibited act which violates the states' Unfair Trade Practices Acts. Churning is defined as the practice whereby policy values (cash, loan, dividend values, etc.) in an existing life 9528-C(12/17)

insurance policy or annuity contract are utilized to purchase another insurance policy or annuity contract with the same insurer or group of insurers for the purpose of earning additional premiums, fees, commissions, or other compensation:

1. Without an objectively reasonable basis for believing that the replacement will result in an actual and demonstrable benefit to the policyholder;
2. In a fashion that is fraudulent, deceptive, or otherwise misleading; or
3. In a fashion that involves a deceptive omission;
  - a) Such as not informing the applicant that the policy 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 replacing or additional policy; or
  - b) Such as not informing the applicant that the replacing or additional policy will not be a paid-up policy or that additional premiums will be due, if this is the case.

The purchase must always be in the customer's best interest. Any insurance sale must pass the suitability test whereby it is in the best interest of the applicant to purchase the insurance when taking into account, his/her income and existing coverage.

## **Twisting**

Twisting is strictly prohibited in all states. Twisting is the practice of misrepresenting a policy or misstating the facts or giving an incomplete comparison of policies to induce the insured to give up a policy in one company for the purposes of taking insurance in another.

## **Rebating**

Rebating is defined as giving an applicant something of value not mentioned in the policy as an inducement to purchase a policy. Rebating includes refunding any part of your commission in exchange for a policy.

Rebating is prohibited in most states and can be punishable by fine, cancellation of your appointment, loss of your insurance license, or any combination of these. Anytime the Company refunds premiums (including refund of unearned premium, but excluding Limited Return of Premium and Death Benefit Riders) there will be a proportionate chargeback of commission. Please contact the Marketing Department for additional information regarding charge backs.

## **Advertising**

Any advertisement as defined below, including recruiting advertisements, must be reviewed and approved by the Legal/Compliance Department prior to its printing or use. You must submit all proposed advertising to the Marketing Department. Marketing will work with the Legal Department, which will check the specific state and federal advertising regulations in order to assure compliance and avoid penalties or litigation resulting from the improper use of advertising material. Any advertisement which is used without the Legal/Compliance Department's approval will result in immediate disciplinary action.

There are certain states and products where an advertisement may be required to be filed and approved by the Department of Insurance prior to its use. The Legal Department is responsible for filing and obtaining approval of all such advertisements. Where required, no advertisement may be used until state approval has been obtained.

**Advertising** is any kind of written, audio, or visual device designed to create public interest in insurance products or an insurer, or to induce the public to purchase, increase, modify, reinstate, or retain a policy. The definition of advertisement includes.

1. Printed and published material, audio visual material, and descriptive literature of an insurer used in direct mail, newspapers, magazines, radio scripts, television scripts, billboards, and similar displays; and
2. Descriptive literature and sales aids of all kinds issued by an insurer, Producer, broker or solicitor for presentation to members of the insurance-buying public, including but not limited to, circulars, leaflets, booklets, depictions, illustrations, form letters and lead- generating devices of all kinds; and
3. Prepared sales talks, presentations and material for use by Producers, whether prepared by the insurer or the Producer; and
4. Material used for the recruitment, training, and education of an insurer's sales personnel, and Producers, which is designed to be used or is used to induce the public to purchase, increase, modify, reinstate, or retain a policy; and
5. Material included with a policy when the policy is delivered and material used in the solicitation of renewals and reinstatements.

### **Three Categories of Advertisements**

1. "Institutional Advertisement" means an advertisement having as its sole purpose the promotion of the reader's, viewer's, or listener's interest in the concept of life insurance or Annuities.

Examples: any form of advertisement that promotes only the name and/or financial standing of an insurance company or agency.

2. "Invitation to Inquire" means an advertisement having as its objectives the creation of a desire to inquire further about insurance and which is limited to a brief description of coverage.

Examples: flyers with the Company's or Agency's phone number and/or address, anything with a response card, lead-generating devices, audio and/or visual advertisements giving the Company's or Agency's phone number and/or address.

3. "Invitation to Contract" means material used to induce the public to purchase, increase, modify, reinstate, or retain a policy. It gives detailed information regarding the policy rather than just a brief description as seen in the "Invitation to Inquire." This category has the

strictest requirements. It is the Home Office's responsibility to create this type of advertising and provide it to the field.

Examples: brochures, sales kits, etc.

### **Advertising Review Procedures**

In order to comply with state insurance law, the following procedures have been established for advertising review and approval:

1. Submit a clean copy of the advertising piece to the Marketing Department via email.
2. Indicate the product name and policy/rider form number(s) for which the piece will be used.
3. Indicate the intended method of dissemination, including:
  - Whether the piece is for Producers or the insurance-buying public
  - Whether or not the piece will be mailed
4. Indicate the states where the piece will be disseminated.
5. Provided back-up documentation to support any statistics or quotes and clearly cite the source providing the author, title, and date.
6. Detail exclusions and limitations as prominently as benefits.
7. All text must be in at least 10 point type.
8. If known, indicate the dates you might use the piece and the quantity you intend to produce and disseminate.

Marketing will review every advertising piece to be sure it meets company standards regarding overall appeal, potential benefit, and compliance detail. Marketing will forward the submission to the Legal/Compliance Department for review.

If approved by Legal/Compliance a copy of the advertisement material will be returned to the Producer with notification of approval and an assigned tracking number that must be visible on every use of that material. If the advertisement is disapproved by Legal/Compliance, notification will be sent to the Producer with comments as to why it cannot be used. If revisions are required, Marketing will work with the submitting Producer to bring the piece into compliance and resubmit revised piece to the Legal Department. Questions regarding the status of a submission should be directed to the Marketing Sales Department.

Once approved, the piece will be produced and original samples of the approved version will be forwarded to the Marketing Sales Department and the Legal/Compliance Department in accordance with state insurance laws.

Again, it is the Legal Department's responsibility to be aware of each state's advertising requirements and to insure the proper compliance with these requirements. Therefore, all

advertising material must be submitted to and approved by the Legal/Compliance Department prior to its printing or use.

### **Recruiting Advertisements**

Recruiting advertisements include anything in a newspaper, magazine, newsletter, etc., which inform of an opportunity to represent the Company. All such advertisements must be submitted to Marketing Sales and approved by the Legal Department prior to its use.

### **Testimonials/Claim Vouchers**

Testimonials must be genuine, represent the current opinion of the author, and be applicable to the policy being solicited and/or advertised. They must be accurately reproduced and be no more than one year old. Testimonials and/or Claim Checks can be used in the presentation and in advertising as long as certain regulatory requirements have been met and they have the Home Office Compliance Department's prior approval in the form of a signed release statement.

### **Business Cards**

Business cards are advertising and therefore fall within the guidelines and requirements of advertising regulations. Business cards that reference the Company, its logo or its products are to be printed only by the Home Office using the corporate format. A completed business card order form should be submitted to Marketing Sales Department.

### **Training**

All material used for training purposes must be reviewed and approved by the Legal/Compliance Department prior to its use. Training materials include, but are not limited to: video tapes, brochures, Product Information sheets, Producer training guides, presentations, manuals, sales kits, and all printed training materials.

### **Internet & Social Media**

The Company recognizes that more and more Producers are interested in advertising on the Internet. Keep in mind that Internet advertising must meet all of the same criteria as pre-printed advertising. Web pages that mention the Company or include information about a Company product must be submitted for prior approval before use. In addition to the advertising rules mentioned above, make sure that the Web Page identifies in which jurisdictions the Producer is licensed to write business and include your Producer license number(s). Remember that the solicitation takes place in the jurisdiction from which the Web Page is accessed, not the jurisdiction from which the Web Page is generated. Be sure you are appropriately licensed and appointed.

### **Contract Delivery**

You are required to obtain a completed delivery receipt from the client within 30 days of receiving the policy from us, and return it promptly. Additionally, you should assist your clients in completing all the necessary documents. A policy may not be in force until all delivery requirements have been met, and failure to return any such documents may jeopardize a client's



policy. If the Company is obligated to cancel a policy after the 30 day free look has expired and a delivery receipt was not obtained, the commission may be charged back.

## **Policyholder Complaints**

A complaint is any communication that primarily expresses a grievance. The Company recognizes that, on occasion, your client may confront you with a complaint concerning you or the Company. All complaints are to be dealt with in a manner similar to any other request – in a fair, honest and prompt manner. Refer all complaints to the Company. Do not attempt to resolve policyholder complaints by yourself or make any payments or present any gifts to clients in order to do so.

## **Privacy Notice**

The Company is committed to maintaining the confidentiality, integrity and security of personal information that we gather as part of the sales process. This information may include financial as well as health information. This confidentiality extends to their policy coverage, premiums, payment history and beneficiaries. We also may obtain information from third parties such as employers, other insurers, and consumer reporting agencies, financial institutions and health care providers.

From time to time, we may have to share this information with others. We will restrict access to protected information only to those individuals who must use it in the performance of their job-related duties. If we do so, we will only divulge that information necessary and only after receiving their agreement to keep this information confidential.

## **The Patriot Act**

The USA Patriot Act became law on October 26, 2001 to detect and prevent money-laundering activities that may support terrorists. As a result, financial institutions, including insurers, must have policies and procedures in place to collect relevant information to determine if a transaction has a legitimate business purpose. Some suspicious activities to watch for include, but are not limited to:

- Purchase of a lump sum product if all other policies are small premium payment types.
- Premium payment by third party check.
- Client does not show interest in the policy terms, especially surrender or cancellation.
- Premium payment by cash.
- Purchase seems to be above the client's means.
- Purchase where the source of the funds is unclear.
- Borrowing from a policy shortly after purchase.
- Early cancellation of a single premium policy.
- Payment of premium from multiple sources.

Information that needs to be collected includes, name, date of birth, physical address, social security number and can be verified with a driver's license, passport State ID, Military ID or other Government Issued Picture ID, for example. If any transaction seems suspicious or does not appear to be for a legitimate business purpose, please contact us.

## **Anti-Money Laundering**

### **1. What is Money Laundering?**

"Money Laundering" is a term generally referring to the use of financial transactions in order to hide, disguise or transform the proceeds of illegal activity in an effort to make those proceeds appear legitimate. Money laundering may involve concealing income from the I.R.S. Increasingly there are indications that money launderers are looking to insurance companies to avoid use of banking institutions to launder funds. In addition, recent events have sharpened the focus by law enforcement authorities on the use of financial institutions to facilitate terrorist attacks or other future crimes.

### **2. What is the Company's Anti-Money Laundering Policy?**

The Company is committed to preventing the use of its products, service, personnel and facilities to launder and disguise the proceeds of illegal activity. The Company makes every effort to comply fully with all applicable money laundering laws and regulations. In doing so, the Company requires Producers to follow "know your client" policies and to bring suspicious activity to the attention of the Company's Chief Anti-Money Laundering Officer.

### **3. What Are the Penalties for Violating the Company's Anti-Money Laundering Policy?**

Any Producer who knowingly fosters illegal conduct, purposely ignores suspicious circumstances or otherwise fails to comply with anti-money laundering policies or procedures may be subject to disciplinary action, including termination, as well as criminal and civil penalties. Even inadvertent complicity with a money laundering scheme can have significant legal, financial, professional and reputation risks.

### **4. What is the Company's Know Your Client Policy?**

At the onset of every new relationship, a Producer is expected to obtain reasonably comprehensive information about the client, his or her financial condition, background, investment needs, experiences and objectives, etc., as directed by Company policies and procedures. The Producer must verify the identity of any client not previously known to that Producer. Thereafter, the Producer must make reasonable efforts at supplementing the information regarding the client and ensuring that Company records are complete and up to date. Producers must comply with all Company requests for information regarding clients and follow all Company know your client procedures, as amended from time to time.

### **5. What Are the Company's Reporting Obligations?**

Federal regulations currently require insurance companies and other businesses to report to the Internal Revenue Service ("IRS") or the Department of Treasury the receipt of cash, and

under certain circumstances, cash-equivalents that total more than \$10,000, in one transaction or a series of related transactions during any 12 month period. Producers should advise clients that the Company strictly follows these regulations and files all required reports with the I.R.S. and with the Department of Treasury.

Federal regulations also require the Company to screen new and active accounts against lists developed and amended from time to time by the federal government of individuals and entities known or suspected to have committed illegal activities, and to block transactions in any accounts matching the information on the lists and to report the existence of the accounts to pertinent federal law enforcement authorities. The Company strictly follows such regulations and, where legally permissible, voluntarily complies with similar requests from foreign affiliates and foreign law enforcement authorities.

In addition, the Company is required to report customer “suspicious” activity by filing a Suspicious Activity Report to the Financial Crimes Enforcement Network with respect to all detected suspicious transactions over an aggregate of \$5,000 in premium or potential payouts. Producers must report to the home office Compliance Officer any suspicious activities which they know or should reasonably know occur with clients who purchase products or services by or through the Company. The home office Compliance Officer will review the information and determine whether a suspicious activity report will be filed. **The filing of such a report will not and may not be disclosed to the client.**

The following are examples of “red flags” for suspicious activities that trigger reporting obligations:

- Payment of insurance premiums with cashier’s checks in amounts disproportionate to the insured/owner’s stated occupation or income;
- Repeated life insurance policy loans which are paid back almost immediately;
- Payment of insurance premiums from an offshore financial center; or payment of any insurance premium with multiple cash equivalents, i.e., money orders, cashier’s checks and bank drafts in small denominations and/or from different financial institutions;
- Clients who attempt to make payments with cash, bearer securities, third-party checks or other instruments;
- Clients making inquiries about the Company’s reporting requirements or anti-money laundering procedures;
- Clients withdrawing a request for a payment of funds after learning of the reporting requirements;
- Clients who ask for exceptions to the Company’s policies and procedures relating to its anti-money laundering program;
- Clients who offer gifts or gratuities in excess of Company policies after being informed of the Company’s anti-money laundering policies and procedures;

- Clients exhibiting unusual concern about secrecy or who request information on how to conceal transactions from government authorities;
- Clients who conduct transactions under unusual circumstances, at irregular hours or unusual locations;
- Clients who exhibit a lack of concern regarding risks, commissions or transactions costs; and
- Clients who refuse to identify or fail to indicate a legitimate source for funds or other assets or have difficulty describing the nature of their business or who lack general knowledge of their industry.

## 6. What Are Training Requirements for Producers?

The Federal regulations effective May 2, 2006, require that you, as an insurance Producer, receive anti-money laundering training. The training course can only be taken through LIMRA or other Company approved courses and refresher courses must be taken at least every two years..

## 7. What Are Conduct Guidelines for Producers?

The risk of transacting business with, or on behalf of, a money launderer is minimized when there is a comprehensive knowledge of a client and the types of transactions in which the client is likely to engage (“knowing your client”). To avoid involvement in money laundering schemes, Producers should adhere to the following guidelines:

- Know each client’s background and financial situation, in particular whether there is a legitimate source of funds for the client’s purchase of products or service;
- Be alert for and report unusual transactions which are suspect because they are inconsistent with a client’s known, legitimate business or personal activities or with the normal business for that type of account;
- Respond promptly and accurately to all queries from the Company regarding any client or transaction in any client account; and
- Understand that it is illegal for any person acting alone or with others to arrange or “structure” a financial transaction for the purpose of evading reporting requirements. To avoid the appearance of any involvement in illegal structuring, **Producers should not discuss or answer client inquiries about the legal requirements for reporting payments or filing currency transaction or suspicious activity reports, except to advise clients that the Company files all required reports with the proper authorities and makes other filings as appropriate.**

## **Record Retention**

The maintenance of your records regarding your clients is mandatory in some instances, but is always a good business practice. Those documents, which should be maintained, include:

- Original sales proposals.
- Copies of the needs analysis, sales materials or advertising shown to the client.
- Any written correspondence with the client regarding the sale.
- Documentation regarding telephone calls between you and the client.
- Notes from meetings with the client.
- A copy of the signed delivery receipt.

State regulations vary regarding the records required and how long they are to be kept. Please be aware of your state's requirements. Generally, records are to be maintained for as long as you have business with your client, or for 10 years after you have ceased doing business.

## **Reporting of Violations of Ethics**

As you perform your sales duties, you may encounter an activity by one of your counterparts that may be considered inappropriate or even unethical according to responsible market conduct practices. You are encouraged to report such activity to the Legal/Compliance Department for further review. Remember that we are collectively responsible for the conduct of individuals in the insurance marketplace.

## **Amendments**

From time to time, the Company may change or update procedures to more efficiently achieve the Company philosophy, reflect new legislation, or to further clarify procedures. These new procedures are to be followed as if they were contained in these Guidelines. If you ever have any questions regarding any policies or procedures, please contact the Marketing Department.

After reading these guidelines, please sign and return the Statement of Understanding. Acknowledgement form included with these Guidelines.

## **Compliance Guidelines**

### **Statement of Understanding**

I acknowledge that I have read and understand the contents of these Compliance Guidelines for IA American Life Insurance Company, American-Amicable Life Insurance Company of Texas, Occidental Life Insurance Company of North Carolina, Pioneer American Insurance Company, and Pioneer Security Life Insurance Company, referred to collectively as “the Company”.

I acknowledge that I have read and understand the contents of the Compliance Guidelines and further understand that if I do not comply, in full, with its provisions it will be a violation of my contract and may result in, without limitation, the cancellation of my contract with the before mentioned Company.

1. I acknowledge the need for strict compliance with all applicable state and federal regulations regarding the solicitation and sale of insurance.
2. I understand the Company will insist upon strict adherence to all applicable state and federal regulations regarding the solicitation and sale of insurance and understand that I am individually accountable for my own actions.
3. I acknowledge that I must be professional in my sales presentations. I acknowledge that I must accurately and completely describe the insurance product being offered, help the purchaser understand the terms and conditions of the insurance product being sold, and comply with all applicable state and federal regulations. I understand that violations of the Compliance Guidelines or applicable insurance regulations may result in the immediate termination of my contract with the companies.
4. I understand that I must immediately take the Company approved anti-money laundering training course. I understand that I must take a refresher of the company online anti-money laundering training course every two years.
5. I acknowledge that this Agreement does not alter or amend my contract or contracts with the Company or create an employment relationship with the Company. This Agreement does not change the at-will relationship between the parties and me. The contract or contracts between the Company may be terminated at any time by either party upon notice, as set forth in those contracts.

\_\_\_\_\_  
Producer Signature

\_\_\_\_\_  
Producer (Print name)