

Agent Market Conduct and Compliance Guide

2023

December 2023

An introductory note to our valued producers:

The Global Atlantic Financial Group LLC (“Global Atlantic”) and its issuing insurance companies (each, a “Global Atlantic insurer” and collectively, “Global Atlantic”) recognize and appreciate the many contributions that you make to our success and growth as a company. Our agents, financial professionals, banks, broker-dealers, registered investment advisors, agencies and marketing organizations are a key part of our past accomplishments and future aspirations. Through your efforts in marketing and selling insurance products, we are better able to deliver on our commitment to provide protection and financial security for our customers. You should be proud of the profession you’ve chosen. You are in a great position to make a significant positive impact on the financial stability and well-being of individuals, families, and businesses.

We want to do everything we can to help you achieve and sustain success in the course of selling our products and servicing our collective customers. An important part of being an insurance professional is doing things the right way – in other words, conducting your business in a fair, honest, and ethical manner. We are committed to helping our financial professionals do just that and to assist you in understanding applicable legal and regulatory requirements.

In an era of increased regulatory scrutiny of insurance professionals and companies, it’s critically important that you are aware of key rules and regulations that affect your business. Keep in mind that awareness is only the beginning and that ultimately, your compliance with all of the requirements, including those of the states in which you do business, is a key component in a successful insurance and financial services career. To that end, we have an ongoing commitment to you to establish clear guidelines for the conduct of your business with us.

Thank you for all you do for Global Atlantic and its issuing insurance companies.



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The Global Atlantic Financial Group LLC



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Overview and Purpose

Throughout this Agent Market Conduct and Compliance Guide (“Guide”), you will see that we have used the terms “agent”, “producer”, “financial professional”, and “field representative” somewhat interchangeably for the sake of convenience and readability. We use terms like “us”, “we” and “the Company” to reflect the various issuing insurance companies that make up Global Atlantic.

This Guide was created to assist financial professionals in understanding important guidelines and procedures related to market conduct and compliance issues, and to help our appointed agents develop a best practices approach to their business activities. In order to fairly and effectively conduct business with customers, our appointed agents must have a thorough knowledge and understanding of our positions and guidelines, the laws and regulations of the states in which they solicit business, and where applicable, federal securities laws and regulations, such as, but not limited to the Department of Labor, SEC, and FINRA.

Every insurance company is presented with the same fundamental challenges of successfully growing its business, achieving customer satisfaction and loyalty, developing and maintaining effective distribution systems for its products and complying with various regulatory regimes, including those of the states in which it operates. We have made a commitment to our customers to create and/or distribute life insurance and annuity products that provide value and versatility over a long period of time. We know that you recognize the importance of making product recommendations that are based on the customer’s needs and that are in the customer’s best interest. We also know that you share our objective of maintaining solid long-term relationships with those customers by providing outstanding service after the sale. To further these goals, we want to equip our appointed agents with a basic foundation for compliance with regulatory requirements by providing as much information and guidance as we can in the areas of insurance regulation, Company positions, requirements and training opportunities on compliance issues.

Yours is a worthy profession. The business of selling and servicing life insurance and annuity products is both very challenging and very rewarding. Long-term success in the business is achievable only through dedication to your clients, respect for your industry and a fundamental understanding of what constitutes acceptable market conduct in the eyes of regulators as well as the companies you represent.

We want you to recognize that our mutual success is only sustainable if we focus on doing what is right for the customer and what is in their best interest. This emphasis on treating prospective and existing customers with due care goes a long way to solidifying our reputation as well as your own. The guidelines and positions described in this Guide reflect the goals and values of all Global Atlantic insurers. Also, you should understand that these guidelines are intended to help you become familiar with our compliance rules and standards that

Overview and Purpose (Cont.)

you have committed to follow under the terms of your Independent Producer Contract or Insurance Selling Agreement (collectively referred to as “Selling Agreement” in this Guide) with Global Atlantic’s insurers.

All financial professionals should understand that we are committed to conducting business in a manner that is consistent with our principles of ethical market conduct.

A reputation for fair dealing and integrity is the key to success for both insurers and insurance producers. We achieve that goal by striving to comply with both the letter and the spirit of the laws and regulations governing our industry and our business. We also strive to understand our distribution partners’ policies and procedures, and, where those policies may be more stringent, we expect our appointed agents to abide by the higher standard.

We are honest, fair, and transparent in all aspects of our business and we deeply value our reputation. We take a collaborative approach and are committed to building meaningful relationships and quality interactions for our clients and business partners.

We have developed and maintain a system of supervision and oversight reasonably designed to ensure that we uphold our commitments and deliver our promises to you and our shared customers.

When we are all truly focused on the needs, goals, and aspirations of our customers, we will benefit from the enduring relationships that perspective creates. Please take the time to review this Guide and keep it for your own reference. This Guide will also be posted and maintained on our Company’s agent portal.

We are here to help you be the best insurance professional you can be. Please contact Global Atlantic Compliance if you have any questions about the topics presented in this Guide.

As an appointed agent of a Global Atlantic insurer, it is your responsibility to be responsive to state and federal regulatory authorities, as well as to the requests of the employees of Global Atlantic’s affiliated companies. We have the right to request, inspect and audit all records and documents relating to the business of Global Atlantic conducted by you, your employees, and agents assigned to you. These requests, inspections or audits may arise for a variety of reasons, including but not limited to, regulatory requests, litigation, complaints, market conduct exams, or other reasonable purposes. You are required to comply with all Global Atlantic requests for information in a timely, complete manner to verify compliance with applicable law, regulations, and policies. Failure to comply in a thorough or timely manner may result in the termination of your agent appointment.

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Advertising Guidelines

The marketing, advertising and sale of life insurance and annuity products have become the subject of heightened regulatory scrutiny in recent years. In the area of advertising, underlying statutes, regulations, bulletins, and guidelines continue to evolve. Many of the communications you make in the regular course of selling life insurance and annuity products are likely encompassed in the legal definition of advertising. It is important for all agents appointed with any Global Atlantic insurer to realize that regulatory and compliance issues can arise from the communications you have and the marketing or advertising material you share with customers. When improper or unapproved advertising is used, it may result in reputational erosion for you and Global Atlantic, a negative reflection on our industry, insurance department complaints, marketing restrictions, and intensified regulation.

Global Atlantic's Advertising Guidelines are derived to a large extent from the NAIC Advertisements of Life Insurance and Annuities Model Regulation ("Advertising Model"), as well as our own best practices approach for the review of advertising based on interactions with customers, regulators, intermediaries, and agents over many years. The Advertising Model has been adopted as the law in a majority of states, although there is some variation even among those states. Other states have their own unique regulations pertaining to advertising, although most have provisions that are similar to those found in the Advertising Model. Insurance advertising is highly regulated with frequent changes, clarifications, and bulletins that are issued by state departments of insurance.

Note: Certain words and phrases should be avoided in advertising as they may mislead the consumer. Additionally, please ensure that your use of certifications, licenses and designations does not cause the consumer to be misled or confused as to the products you sell or the education or professional designations you possess. If you sell through a broker-dealer, IMO, Investment Advisor or other supervising entity, you should also consult with their Compliance Department for more information.

For variable products registered with the SEC, as well as the sale of non-registered products through FINRA member firms, compliance with FINRA Advertising and Sales Conduct Rules is also required. Additionally, where applicable, the SEC has implemented advertising requirements for products and for representatives marketing certain products and strategies.

Those regulations, together with these Advertising Guidelines, determine what may be communicated in an advertising message, how it is communicated, and what appearance it may take. The information below is designed to assist you in the preparation of materials that accurately and appropriately represent Global Atlantic, our issuing insurance companies and our products. They include (1) a broad definition of what constitutes advertising, (2) identification of materials that do not constitute advertising, and (3) general requirements and prohibitions under our guidelines.

What is Advertising?

For the purpose of these Advertising Guidelines, "advertising" is defined as **any material designed to create public interest in Global Atlantic (or any subsidiary or Global Atlantic insurer), its products, appointed agents and distributors OR any material designed to induce the public to purchase, increase, modify, surrender, borrow on, reinstate or retain a policy of any Global Atlantic company.** This may include but is not limited to:

Lead Cards	Prospecting Letters	Telemarketing Scripts
Seminar Invitations	Seminar Presentations	Newsletters
Newspaper Ads	Trade Publication Ads	Audio Recordings
Video Recordings	Radio Spots	Television Spots
Radio Shows	Television Shows	Internet Ads
Websites	Social Media Sites	Live Webcasts
Sales Presentations/Software	Yellow Pages Ads	Business Cards/Letterheads
Product Brochures	Product Illustrations	Illustration Software Agent
Recruiting Materials	Agent Training Materials	Needs Analysis Software & Output

Even if the material you are considering using does not seem to meet the definition of advertising, **all material that in any way identifies Global Atlantic or any Global Atlantic insurer, or mentions its products or describes its product features, must be submitted for review and be approved in writing from the appropriate member of the Global Atlantic Compliance team prior to use.**

In addition, you should consider asking for guidance when constructing the following types of material to ensure that it complies with our Advertising Guidelines and applicable regulations, regardless of whether specific Global Atlantic products or product features are mentioned:

- All material that can be reasonably expected to lead to the sale or attempted sale of a Global Atlantic life insurance or annuity product,
- Lead cards, seminar invitations, prospecting letters, call scripts and other similar “front end” material designed for the ultimate purpose of leading to the solicitation of prospective purchasers of life insurance and/or annuity products,
- Any consumer-directed material that discusses the advantages, benefits, characteristics, or tax aspects of life insurance and/or annuities,
- Any material that compares life insurance and annuities to other financial products, and
- Any material in the nature of sales and marketing concepts that are is designed to position/promote or sell life insurance and annuity products.

What is not Advertising?

The distinction between advertising and other material generally can be determined to some extent by examining the audience to whom the material will be presented (e.g., existing policyholders/contractholders vs. prospects) and, most importantly, the nature and content of the material. The following are examples of material that would not generally be categorized as advertising.

- A communication used purely for internal purposes and not intended for public dissemination or designed to create public interest in an insurer, its products, or its distributors.
- A communication designed exclusively for providing customer service to existing policyholders/contractholders and that **does not encourage policy modifications, or provide recommendations for reallocation, withdrawal, replacement, surrender or the purchase of products.**
- Regular communications from the Global Atlantic Home Office that are designed to provide information on processes and service matters.
- Internal communications from an agency or marketing organization to its producers that are made in the regular course of business, and that are not designed to create public interest in Global Atlantic’s products or the producer, nor to create interest in the agency or marketing organization.

General Rules, Requirements and Prohibitions

Accuracy and Truthfulness

- No aspect of the advertisement can be untrue, deceptive, or misleading based on the information included or omitted.
- Products issued by Global Atlantic insurers should be described as annuity or life insurance products, and no alternative references to such products should be made that would tend to obscure their true nature.
- If a product is being advertised or referenced, it must be approved in the state(s) in which the advertisement will be used, or there must be a clear indication that the product may not be approved in all states.
- Any advertisement, when examined as a whole, shall not be constructed in such a way as to lead a person of average intelligence and education to any false conclusions upon which such a person could reasonably rely. Any conclusion likely to be made should be based on the literal meaning of the words, impressions from non-verbal portions of the advertisement (e.g., pictures, charts or diagrams) and not on materials and descriptions omitted from the advertisement.
- Advertisements may not utilize or describe non-guaranteed policy elements in a manner that is misleading. There can be no indication that non-guaranteed elements and/or values are guaranteed. All illustrations of and references to non-guaranteed elements must contain a statement that they are not guarantees or estimates of amounts to be paid in the future and that they are subject to change.
- If a consumer advertisement contains illustrations or statements containing or based upon non-guaranteed policy elements, it must set forth with equal prominence comparable illustrations or statements containing or based upon the guaranteed elements.
- If interest rates higher than those guaranteed are referred to or illustrated, they cannot be higher than those currently being credited.

Identity of Agent, Purpose of Contact

- For lead cards, prospecting letters and similar “first-point-of-contact” communications, the identity of the producer as a “licensed insurance agent” or “licensed insurance professional” must be clearly disclosed, and the stated purpose for the contact should include the discussion of annuity and/or life insurance products. Telephone scripts used in conjunction with setting appointments must also contain such disclosure.
- For seminars and workshops, invitations, telephone scripts and appointment cards must also include the disclosures described above.

Identity of Insurer and Product (for any advertisement that references Global Atlantic, any of its issuing insurance companies, or any of their products or product features)

- The issuing insurance company’s full name must be used as the first/most prominent reference.
- No advertisement shall use the group or parent company’s name to mislead or deceive as to the true identity of the insurer or to create the impression that any entity other than the issuing insurance company is financially responsible for a policy/contract.
- The Home Office location must be indicated whenever the issuing insurance company or its products are referenced.

- If the advertisement refers to a product or its features/projected values, then the contract type, product name and form number must be clearly identified.
- No combinations of words should be used that could mislead current or prospective insureds or policyholders/contractholders into believing that the solicitation is connected with or endorsed by any governmental agency, self-regulatory organization, or program.

Use of Company Logo or Images

- Any use of the Company's logo or image must be sent to Global Atlantic Compliance for review and written approval prior to use (examples include using the logo in the masthead of a newsletter, on a PowerPoint presentation or in an agent's or agency's office name, DBA, etc.)
- No unauthorized use of the Company brand will be permitted.

Information about the Company

- Any information regarding the Company's financial condition, asset size, asset portfolio, and lineage must be accurate and up to date.
- Any information regarding the Company's ratings must be accurate and up to date. Required disclosures as to the meaning of the rating and its relative rank must be included.

Advertising (Letterhead, Business Cards, Electronic Correspondence, and Holding oneself out)

How you choose to market yourself, your business, and the insurance companies you are appointed to represent generally includes the use of a variety of different mediums. How you market your insurance business is also governed by advertising rules and regulations. Like any other insurance advertising, these items must be fair, balanced and not misleading. Other requirements may apply, including but not limited to:

- You/your relationship with the insurance companies you represent must be clear.
- If you are doing business as a "Doing Business As" (DBA), that relationship must be clear, and the products and services that you are authorized to sell must be presented in a non-misleading manner.
- If you are affiliated with a broker-dealer, registered investment advisor or other entity, that relationship must be disclosed.
- Certain states have a number of state-specific requirements. Agents who do business in these states must familiarize themselves with these requirements to ensure their practices comply with the applicable regulations.
 - For example, California requires an agent to include their California insurance license number in all consumer-facing communications such as business cards, letterhead, written correspondence, stationery and electronic correspondence (email).

Disclosures

- All advertising material that references projected values of Global Atlantic life insurance or annuity products must indicate clearly any non-guaranteed elements that may affect such values, including, but not limited to, surrender charges, cap rates, participation rates, market value adjustments, etc. Such disclosures must be in a font size sufficient to be easily readable.

- Any advertising material that references guaranteed elements or features (e.g., a No-Lapse Guarantee on an indexed life product or a Guaranteed Lifetime Withdrawal Benefit or an Enhanced Death Benefit Rider) must indicate whether the guarantee is subject to any requirements and conditions, and where disclosure of those requirements and conditions can be found.
- Any advertising material that discusses or references the tax aspects of Global Atlantic life insurance or annuity products must (1) explain, or cite the authority for, such tax treatment, (2) contain a clear statement that the reference to tax treatment does not constitute tax, legal or accounting advice, and (3) contain a clear statement that the consumer should consult their own legal or tax counsel to confirm how the tax treatment may apply to them.
- Any advertising material that discusses or references the tax aspects of a program, concept or transaction that may, in some way, include Global Atlantic life insurance or annuity products must (1) contain a clear statement that the reference to tax treatment does not constitute tax, legal or accounting advice and that neither any Global Atlantic insurer nor its agents are permitted to give tax, legal or accounting advice, and (2) contain a clear statement that the consumer should consult their own legal or tax counsel to confirm how the tax treatment may apply to them.
- If an agency or agent is located in a bank or other financial institution, the following or similar disclosure must be included: “Annuities and life insurance products are products of the insurance industry. They are not deposits in, obligations of, or guaranteed by the bank. They are not insured by the FDIC.”
- Any material that is not intended for use with the public, but could conceivably be misused in such a way, must be clearly labeled “For Internal or Financial Professional Use Only – Not for Use with the Public” and should never be used with or shown to the public.

Prohibited Statements and Words

- Statements that are patently false or misleading
- Statements that describe or attribute benefits that do not exist
- Statements that fail to clearly identify a product as a life insurance or annuity product
- Statements that contain obvious omissions of material information that are likely to result in an incomplete understanding of the subject or a misdirection of the audience
- Statements that make false, unfair, or incomplete comparisons to other financial products
- Statements that refer to a State Guaranty Association or State Guaranty Fund
- Statements that refer to Global Atlantic’s or a Global Atlantic insurer’s RBC (Risk Based Capital) position
- Statements designed to disparage competitors
- In reference to life insurance products, words such as “vanish” and “vanishing premiums”
- In reference to life insurance products, the words “paid-up” unless they are true in the contractual sense
- In reference to annuity products, the words “CD annuity” or “certificate of annuity”
- In reference to life insurance and annuity products, the words “savings account,” “savings plan,” “retirement plan,” “investment,” “investment account,” or “side fund”
- In reference to life insurance and annuity products, the words “risk-free”
- In reference to life insurance and annuity products, the words “safe money”
- Use of “no fee” if there is a withdrawal charge or if fees are built into the product design

Use of Professional Designations

The manner in which agents appointed with Global Atlantic companies present themselves to the public is an important industry concern. It is generally considered an unfair and deceptive trade practice for an agent to misrepresent their expertise or their intention to sell insurance products. Only professional designations that involve a rigorous curriculum and are well-regarded in the industry should be used to market yourself and our products. Certain states also have prohibitions against the use of certain professional designations. You are prohibited from using professional designations or credentials that may mislead a consumer as to your qualifications and/or disguise the fact that you sell insurance products. It is your responsibility to ensure any professional designations or licenses you may have remain in good standing. In addition, if you sell through a financial entity such as a bank, broker-dealer or registered investment advisor firm, you should be aware that those firms often maintain a list of professional designations they prohibit their representatives from using. You should also be aware of any state restrictions or limitations on the use of professional designations.

Consequences of Using Non-Reviewed, Unapproved Advertising

Failure to comply with state laws concerning the advertising of life insurance and annuities can result in fines, penalties, and other regulatory sanctions. Fines can reach \$1,000 or more per violation. They may be assessed against the agent, the insurance company or both. In addition, an agent's insurance license may be subject to restriction or suspension for violation of state advertising regulations. In severe cases, particularly those involving misleading advertisements, regulators can revoke agent and company licenses to do business in their states.

When regulators are concerned about the content or dissemination of an advertisement, they may perform on-site examinations. The Company must pay the costs of such an examination. Regulators can require that we file all future advertising for prior approval, which can result in a disruptive and time-consuming complication for future marketing efforts by you and the Company.

Failure to submit advertising material to Global Atlantic for approval prior to use, or the use of unapproved advertising, may result in disciplinary action by the Company up to, and including, contract/appointment termination. This includes the use of advertising that we have not approved, or that we instructed you to revise before use, but no revision was made.

Testimonials, Rankings/Ratings, Statistics and Risk Based Capital (RBC)

Advertising used to sell products issued by Global Atlantic insurance companies must be fair, balanced, complete, and may not exclude key information necessary for a consumer to be able to make an informed decision. The use of statistics, ratings, or rankings must be permitted by regulation, derived from reputable sources, be current, and include all applicable components for the audience to understand. Methodology used in the creation of the rating, ranking or statistic should accompany the citation in a prominent manner, as appropriate, to ensure the context and presentation are fair and balanced.

Where permitted by regulation, testimonials may be used if their use is fair, balanced, and complete and does not exclude key information and facts that would be necessary for a reasonable person to make an informed decision. Testimonials typically require disclosure that:

- The testimonial may not be representative of the experience of other customers
- The testimonial is not a guarantee of future results; and
- If the individual providing the testimonial is compensated for the endorsement, such compensation arrangement must be disclosed.

PLEASE NOTE: You must keep copies of all materials that support the statements used in an advertisement, along with a final copy of your approved advertisement. Retention of these materials will assist both the Company and the agent in case of an audit by a regulator if your advertisement is questioned or in the case of a customer complaint. Please do not destroy any supporting materials or remove them from your files. You may be required to produce these materials, and your ability to produce them promptly and completely will be instrumental in helping to ensure positive outcomes during regulatory examinations.

The use of Risk Based Capital (RBC) is prohibited in advertising and marketing and may not be used to promote products issued by Global Atlantic insurers.

Maintenance of Advertising Files

State laws generally require that you keep final copies of all approved advertisements along with materials that support the statements in your advertisement for at least three (3) years from the date of last use. For advertising that mentions securities products or that are used to sell securities products for which FINRA has jurisdiction, FINRA advertising regulations require that you maintain advertising for at least three years from the date of last use.

Agent Education & Training

We recognize the importance of each agent's commitment to obtaining adequate education and training as a key ingredient in achieving and sustaining their success as an insurance professional. It is your responsibility to ensure that you comply with all initial and continuing education requirements for each state in which you maintain an insurance license, as well as any federal requirements that may apply. In addition to basic continuing education requirements, some states have additional education requirements for agents, including mandatory training on certain categories of insurance products or on various market conduct topics such as suitability. As new requirements evolve, we will strive to continue to notify our producers of their specific duties for the completion of such training. It is also your responsibility to ensure that you complete any Global Atlantic-specific training requirements that may be assigned to you.

Independent of state-mandated training, we provide a variety of educational and training opportunities for producers designed to enhance your professionalism, market conduct awareness and general knowledge of our products, policies and procedures.

We provide education and training for our agents in a number of ways:

- Product and sales concept training materials on our agent website
- Live training on-site for agencies and marketing organizations on our products, advanced markets concepts and various topics that relate to your practice as an insurance professional
- Periodic webcasts on a wide variety of topics that are both timely and informative. These interactive sessions provide information and training on products, marketing material, illustration and presentation systems, industry developments, tax law changes and other items that can enhance your practice
- Agent Guides and Customer Brochures explaining our products and additional information on various marketing concepts

In addition to training on products, sales concepts, and sales support resources, we are also dedicated to providing you with important information on compliance topics and regulatory developments. Our Compliance team provides a number of resources that can be found on Global Atlantic's agent website such as this Guide, the Financial Professional Suitability and Best Interest Guide, and Compliance Bulletins on a variety of topics.

Our Compliance Department also provides education and training opportunities in several ways:

- From time to time, webcasts are delivered on a wide range of compliance and market conduct subject matters.
- Compliance staff may be available, on request, to deliver presentations via live training or via webcast for agencies and marketing organizations.
- Compliance and regulatory topics have frequently been covered in presentations at Global Atlantic sales and distribution meetings.

Just as important as your knowledge of marketing concepts and product training is the development of a fundamental framework for market conduct and compliance issues. This can enhance your ability to successfully operate your insurance practice with confidence and without having to look in the “regulatory rear-view mirror.”

We are dedicated to helping our appointed agents be the best, most informed insurance professionals they can be. We want you to have the best training and educational opportunities possible. This includes training on products, illustrations, marketing concepts, home office processes and sales skills. You should be aware of the vast array of tools and resources provided by Global Atlantic to enhance the customer experience for both you and your client.

We also strongly encourage our insurance producers to seek professional education and training opportunities offered through traditional financial services educational institutions such as The American College, College for Financial Planning®, LIMRA/LOMA, Alliance for Lifetime Income (ALI), Insured Retirement Institute (IRI), Life Underwriting Training Council and Compliance & Ethics Forum for Life Insurers (CEFLI). The completion of the robust curriculum and attainment of professional designations offered through these institutions can enhance your professionalism and enable you to add value to your customers. Receiving this training and maintaining your continuing education obligations will help you be prepared to educate your clients on our products, as well as a variety of other topics.

Your commitment to your own business through consistent professional growth is an important ingredient in achieving sustainable career success. This goes beyond merely completing course work or attending training sessions. We all learn from our experiences, and the interactions that you have with prospects and clients build a foundation for improving your own effectiveness and the value that you bring to customers.

Agent Licensing, Contracting, Appointment and Solicitation

State insurance departments strictly control insurance licensing, appointment, and solicitation requirements. Although most states have similar licensing and appointment rules, there are important variations, and you need to be familiar with the requirements of each state in which you intend to conduct business. These requirements are above-and-beyond any firm requirements (i.e., broker-dealer, investment advisory, or agency requirements) that you may be required to satisfy.

Your Agent Agreement

Each agent who is seeking an appointment with any Global Atlantic insurer, excluding registered representatives affiliated with a broker-dealer, must complete an application for appointment and contracting. It is critical that applicants answer all questions truthfully,

completely, and accurately. Once executed, the application becomes part of your producer contract and any misrepresentation of facts within the application later discovered will be grounds for termination of the Selling Agreement. Also note that you have agreed to self-report the occurrence of any adverse action to us promptly. This includes actions such as, but not limited to, arrests for financial crimes, regulatory fines, penalties, enforcement actions by self-regulatory organizations or state securities or insurance departments, etc. (Note: This is separate and distinct from reporting any of these items to your firm such as a broker-dealer or agency.)

The authority to act on behalf of the appointing insurance company under your Selling Agreement is subject to a number of terms and conditions. You should read your Selling Agreement carefully and fully understand your obligations under it. One such commitment is your agreement to cooperate with Global Atlantic and follow its procedures and guidelines – many of which are detailed in this Guide.

Licensing and Appointment

Your Selling Agreement provides that you are authorized to solicit and sell only those insurance products that have been approved for sale by the applicable state insurance authority and for which you are properly licensed. State laws and requirements change frequently, and you have a professional obligation to ensure that you stay current with the applicable state's rules and regulations concerning such topics as training, continuing education, suitability, replacements, and various sales practices. Particularly if you are licensed in multiple states, keeping track of this information can be a considerable challenge. Although we spend significant time and effort keeping our appointed agents updated through field bulletins, webcasts, and training programs, it is ultimately your responsibility to understand your obligations under your insurance license(s).

Although solicitation and appointment rules vary by state, and are subject to change, it remains your responsibility to follow the appointment and solicitation guidelines established in each state in which you hold an insurance license. We strive to notify agents, agencies, broker-dealers, and marketing organizations via field bulletin when any state's solicitation and appointment guidelines change.

Although a number of states authorize solicitation of insurance products prior to the state's final approval of appointment, they do so under strictly enforced rules regarding the timing of the agent's contract and/or the submission of the first application to the Company.

Although many states allow "pre-appointment solicitation," it is incumbent upon you to familiarize yourself with our products, procedures, and guidelines prior to taking any applications. To summarize your commitment with Global Atlantic, every agent who enters into a Selling Agreement to represent the Company must ensure that:

- A proper license and appointment according to regulatory and Company requirements are obtained and maintained to solicit and submit customer applications for the type of product(s) requested in the customer application.
- All information included with the application for appointment to represent the Company is accurately and completely recorded.
- Applicable state continuing education requirements are completed.
- Licenses are renewed as required, and a copy of the renewed license is immediately sent to the Company.
- Notification is sent to the Company if there is a change in licensing status (i.e., license is terminated, suspended or revoked).

Any private administrative staff or outside vendors retained by an agent must either limit their activities to clerical and administrative functions or have applicable required license(s) and Company appointment(s) as well. The agent is responsible for ensuring that those individuals also comply with these guidelines.

Any commission or other compensation cannot be split or shared with an unlicensed person or entity who was engaged in the sale, solicitation, or negotiation of insurance business.

The Company does not permit rebating. An agent may not give the customer anything of value to induce the sale of a Company product.

The Company will process terminations of appointments according to regulatory and Company requirements. The reason(s) for termination may also be provided to appropriate regulatory agencies as required by such agencies.

General Solicitation Guidelines

It is vital that you pay strict attention to the licensing, appointment, and solicitation rules of each state in which you do business. The public has a right to expect that the person who is attempting to sell them an insurance product is duly licensed with the state and has a current agent contract with the company the agent purports to represent. Under no circumstance should a producer act as a “surrogate” for a non-licensed or non-appointed agent. This means that if an agent signs the insurance or annuity application as the agent, he or she must have been the agent who met with the customer and solicited the application. Deliberately circumventing such rules will jeopardize your contract with us and likely subject you to fines, penalties and possibly result in revocation or suspension of your insurance license.

We are committed to a needs-based selling approach to enhance the effectiveness of our appointed producers in fulfilling the financial goals of their customers. We want all of our producers to do as thorough of a job as possible in meeting the financial objectives of each customer. Below are some basic reminders on the appropriate solicitation of customers:

- Do not solicit or illustrate an insurance product in a state in which the Company has not yet released the product for sale.
- Provide competent and customer-focused sales and service, treating each customer as you would want to be treated, with high standards of honesty and fairness.
- Seek information from the customer that will assist in making appropriate recommendations that will further their objectives.
- Use only Company approved advertisements, sales literature, and illustration materials.
- Fairly, clearly, and fully explain the insurance product being sold.
- Carefully distinguish between the guaranteed and non-guaranteed elements of the product.
- Prior to sales conversations or engaging with clients or prospects in the sale of insurance products, it is essential to ensure that you have completed all required training.

Anti-Money Laundering/USA PATRIOT Act

The USA PATRIOT Act establishes certain requirements and controls for the financial services industry to prevent financial institutions from being used for money laundering and the financing of criminal and terrorist activities. Since 2003, application of the USA PATRIOT Act has been extended beyond banks and other large financial institutions to include insurance companies.

Global Atlantic has adopted an Anti-Money Laundering Program (“AML Program”) to fulfill obligations under the USA PATRIOT Act as developed by the U.S. Department of Treasury. Agents, brokers and producers are Global Atlantic’s “eyes and ears” for spotting suspicious activity and are our first line of defense for deterring the use of our products for money laundering. You will be asked to obtain certain information about new policyholders/contractholders and verify their identity. By “policyholder” and “contractholder”, we mean any person who applies for and will be named as the owner of a Covered Product, including a co-owner. As an appointed agent, you are required to assist the Company in combating financial crime and money laundering.

The focus of the USA PATRIOT Act is primarily on preventing money laundering and terrorist financing. **Money laundering** is the practice of engaging in financial transactions to conceal the identity, source, or destination of illegally gained funds or the process of taking the proceeds of criminal activity and making them appear legal. Individuals or businesses who are engaged in the illegal practice of money laundering are generally attempting to avoid a transaction reporting requirement under state or federal law or disguise the fact that the money was acquired by illegal means. **Terrorist financing** is the collection or distribution of funds with the knowledge that they are to be used to sponsor, finance, or carry out terrorist acts. It is important to keep in mind that money laundering has much broader application in the facilitation or concealment of a wide range of criminal activities.

Under Global Atlantic’s AML Program, all producers have a fundamental obligation to do the following:

- Protect the Company and your customers against financial crime.
- Always stay informed by fulfilling the requirements for anti-money laundering/financial crime training.
- Be diligent in observing customer interactions for suspicious activity or red flags.
- Report any suspicious activity that you detect or observe that may be related to money laundering or any other financial crime.

In addition to Anti-Money Laundering rules and regulations, Global Atlantic complies with all applicable sanctions requirements as set forth by The Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury. OFAC administers and enforces economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy, or economy of the United States. In addition to OFAC, Global Atlantic monitors various other sanctions lists.

¹ Acronym for “Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism”.

² Covered Products include permanent life insurance policies (other than group life insurance policies), all annuity contracts (other than group annuity contracts), and any other insurance product with features of cash value or investment.

Customer Identification

All agents, brokers and producers are required to meet “Know Your Customer” requirements as part of each application for any insurance policy or annuity contract. This means that you must validate the identity of each applicant by collecting sufficient personal information to help identify the applicant as well as describe basic financial information and establish the primary reason for purchasing the product. The financial information and reason for purchase help validate that the purchase is being made for a legitimate purpose and support the appropriateness of the sale.

You must familiarize yourself with the type of documentary verification of identity that is required to process cases involving different types of applicants, including individuals, businesses, associations, charitable organizations, trusts and attorneys-in-fact. For individuals, such documentation must be in the form of an official, unexpired government issued identification document with a photo of the applicant such as a driver’s license or a passport.

If Global Atlantic is unable to form a reasonable belief as to the true identity of the customer: **(1)** we may not issue a policy or contract; **(2)** we may impose terms under which a customer may conduct transactions while we attempt to verify the customer’s identity; **(3)** we may close an account after attempts to verify a customer’s identity fail; and/or **(4)** we will determine whether it is necessary to file a suspicious activity report (“SAR”) in accordance with applicable laws and regulations.

AML Red Flags

The list below provides examples of various “red flags” that may cause you to suspect money laundering. The list is meant to provide you with examples of suspicious activity, but it is not an exhaustive list. You may encounter other circumstances that cause you to suspect improper activity. You should report any suspicious activity, even if the activity does not involve one of the red flags mentioned below, to Global Atlantic’s Corporate Compliance team at AMLcompliance@gafg.com.

Reference to the term “Customer” below means the policyholder/contractholder, annuitant or any other person involved in the purchase of a Covered Product.

Common “red flags” for money laundering include:

- The proposed purchase of a product is inconsistent with the Customer’s needs or involves payments that exceed the Customer’s apparent means.
- Unusual payment methods, such as structured payments involving Cash Equivalents, such as cashier’s checks or money orders that appear to be designed to avoid reporting requirements. For example, a Customer who wishes to make a large single premium payment with several cashier’s checks, each made out for \$10,000 or less, should raise a red flag. (Cash Equivalents in amounts of \$10,000 or less can be purchased with cash without triggering federal currency reporting requirements at the time of purchase.)
- Attempted payment with a check or wire transfer payable through a non-U.S. bank.
- Early termination or return of a Covered Product, especially when it comes at a cost to the Customer.
- Customer requests that a refund check be directed to an unrelated third party. Important Note: Global Atlantic does not permit payments to unrelated third parties.
- An unusual pattern of returns during the “free look” period or an unusual pattern of early surrenders.

- A request to transfer the benefit of a Covered Product to an apparently unrelated third party.
- Customer shows little concern for the investment performance of the product but shows much concern about the early termination features of the product.
- Customer is reluctant to provide identifying information when purchasing a product or provides minimal or seemingly fictitious information.
- Customer borrows the maximum amount available soon after purchasing a product.
- Customer's policy or contract has unexplained or sudden extensive transfer activity without any apparent legitimate purpose.
- Customer requests that a transaction be processed in such a manner as to avoid Global Atlantic's normal documentation requirements.
- Customer or a person associated with the Customer has a questionable background or is the subject of news reports indicating possible criminal, civil or regulatory violations.

Forms of Payment

Global Atlantic has created rules regarding the types of payment that we will accept in conjunction with the initial premium and for subsequent premium payments, if applicable, as well.

The following forms of payment are **acceptable**:

- Cashier's checks from a U.S. bank from the remitter's account when the remitter on the cashier's check is the policyholder/contractholder.
- Third party checks that originate from an insurance company, U.S. financial institution, or pension plan, and are endorsed over to Global Atlantic or a Global Atlantic insurer.
- Personal checks – must be from a U.S. bank account with the name and address of the applicant/owner imprinted on the front of the check (except as specified below).
- Rollover checks and transfer checks (including those connected to a 1035 exchange) received from a U.S. insurance company or U.S. financial institution.
- Wire transfers and where the originator is the policyholder/contractholder, and the transfer is drawn from a U.S. bank account.

The following forms of payment are not acceptable and will **not be accepted by Global Atlantic**:

- Cash (Currency) in any amount
- Checks made payable to cash
- Money Orders for initial premium payments
- Traveler's checks
- Checks or wire transfers originating from a foreign bank
- Agent or agency check or wire transfer where the agent is the originator (except when the agent is the policyholder/contractholder)
- Personal checks or cashier's checks not made payable to Global Atlantic or a Global Atlantic insurer.
- Checks drawn on the account of someone (an unrelated party) other than the applicant/owner
- Starter or temporary checks without the preprinted name of the applicant/owner
- Credit card payments

If a customer provides you with a form of payment that is not permitted, you should return it to the customer immediately, and you should notify Global Atlantic's Anti-Money Laundering Officer (AML Officer) or his/her designee by sending an email to AMLcompliance@gafg.com.

If an unacceptable form of payment is received by Global Atlantic, it will be returned to the appropriate party.

Reporting Suspicious Activity

We have an obligation under the USA PATRIOT Act and related laws to report suspicious activity – especially activity that indicates the possibility of money laundering. Both employees and agents who observe the occurrence of any of the “red flags” described above must report the activity to Global Atlantic's AML Officer or his/her designee immediately by sending an email to AMLcompliance@gafg.com. An in-depth review of the transaction will be completed by Global Atlantic's Compliance team to determine if a SAR should be filed with the U.S. Department of the Treasury's Financial Crime Enforcement Network (FinCEN). The AML Officer or his/her designee has primary responsibility for filing SARs with FinCEN. Under no circumstance should you ever disclose to a customer or any other person, the content of a SAR, the fact that a SAR is being considered, or that a SAR has been filed.

Complaints

Global Atlantic employees and field representatives strive to do the right thing for our customers. More specifically, we want to continue to be an industry leader with innovative high-quality products placed through professional, well-trained agents and offer excellent customer service after the sale.

Policyholders/Contractholders are not always satisfied with their experience as a customer. Complaints are a part of doing business, and in a highly regulated environment such as the insurance industry, they can occur for a number of different reasons. Two key aspects of complaints that agents should fully understand are: **(1)** What constitutes a complaint? and **(2)** What should I do when a customer makes a complaint?

Definition of a Complaint

We define a complaint as “a written communication primarily expressing a grievance.” An oral communication, which is subsequently converted to a written form, will meet the definition of a complaint for this purpose.

The following is a list of some types of written communications that we would generally consider to be complaints:

- Expression of general dissatisfaction directed to a Company officer
- Expression of profanity and/or derogatory statements
- Allegations of violations of policy provisions
- Allegations of violations of insurance laws or regulations
- Allegations of criminal activity
- Allegations of misappropriation of funds
- Allegations of misrepresentation
- Allegations of an inappropriate or unsuitable sale
- Allegations of an inappropriate replacement
- Allegations of unacceptable customer service

It is also important to realize that complaints may come from various sources. Policyholders and/or contractholders, insureds, annuitants, beneficiaries, regulatory bodies on behalf of customers, attorneys on behalf of customers, insurance agents or financial representatives authorized to act on behalf of the customer, and other individuals legally authorized on behalf of a customer, including an Attorney-in-Fact, Conservator, Custodian, etc., may submit a complaint to Global Atlantic.

Complaint Procedure and Process

Any complaint(s) regarding products issued by Global Atlantic insurers received directly by appointed agents or agencies should immediately be forwarded to Global Atlantic's Complaint Resolution Team ("CRT") within the Compliance Department. The Company maintains a written log of all complaints and has a regulatory obligation to maintain accurate records of all complaints. Further, you should be aware that it is inappropriate and unacceptable for an agent to initiate any discussion of settlement of a complaint without consulting with and gaining the permission of the Complaint Resolution Team.

The process of responding to complaints received from or on behalf of consumers, and complaints or inquiries received from state insurance departments regarding a Global Atlantic insurer's products, is handled by the CRT. You may forward any complaint regarding products issued by a Global Atlantic insurer that you receive to the CRT via email to: ComplianceReviewTeam@gafg.com

Acknowledgement of Receipt of Complaint. The CRT will provide an acknowledgment letter to the complainant or their designated representative stating that the complaint has been received and is being reviewed. The letter will also include contact information of the CRT team member assigned to the complaint.

Request for Agent Response. We notify the applicable agent(s) of complaints received on business written or serviced by the agent if the complaint involves allegations about the agent's statements, acts or representations. In these instances, we require the agent to provide a written response to the complaint within five business days of the request, along with all sales materials utilized in the sales process. Requests for agent statements are sent via email. A copy of the request will also be sent to any general agent, agency, broker-dealer, or marketing organization involved in the sale. This is the primary opportunity for an agent to "tell his or her side of the story" and explain any and all details that may be relevant to the CRT's review and resolution of the complaint.

Contacting the Customer

The CRT will review and respond to all complaints. Any communication regarding complaints will come from the CRT. Agents should feel free to continue to provide servicing; however, complainant questions regarding complaints should be directed to the CRT for handling.

Because the facts and circumstances of each complaint are unique, a case-by-case analysis is necessary to determine the appropriate response. The CRT will assess the information provided by both the customer and the agent, and then determine an appropriate course of action.

Customer Complaint Resolution. We are committed to handling complaints in a thorough, fair, expeditious and courteous manner in accordance with applicable laws, rules, and regulations. We understand that when a complaint is filed, it can be an opportunity to make a difference to a customer, to gain insight into how the Company can better provide value for all customers, and to preserve our relationships with our customers and business partners.

Note Regarding Litigation:
In lieu of making a complaint (or subsequent to making a complaint), a policyholder/contractholder may choose to file a lawsuit against you, the Company, and/or any other parties who may have been involved in the sale. Should this happen, and if the action involves the sale or servicing of a Global Atlantic insurer's product, please contact Global Atlantic's Legal Department immediately so that we can respond appropriately.

Conflicts of Interest

It is important for financial professionals to realize that various agreements or transactions they might want to engage in with customers may be inappropriate or even unlawful. Although it is fundamental that you should act in the best interests of the customer and not your own when selling life insurance and annuity products, some agents fail to recognize how important it is to avoid both apparent and potential conflicts of interest. With respect to transactions involving Global Atlantic customers, all producers should keep in mind the following points:

- You must not be or become the owner of a life insurance policy or annuity contract beneficiary other than one insuring your life, that of a close family member, or a business associate in whom you have a demonstrable insurable interest.
- You must not be or become the designated beneficiary of a life insurance policy or annuity contract other than one purchased and/or owned by you or a close family member.
- You must not be or become a collateral assignee of a life insurance policy or annuity contract owned by anyone other than a close family member.
- You must not be or become the trustee of a trust that owns a life insurance policy or annuity contract other than one insuring you or a close family member.
- You must not be or become the holder of a Power of Attorney (POA) over the property of a customer, particularly if such power is exercisable with respect to a Global Atlantic insurer's life insurance policies or annuity contract.

There are a number of practical reasons, beyond the inherent conflict of interest, why producers are not permitted to engage in any of the acts described above.

- First, especially in reference to serving as a trustee or holding a POA, you would be significantly increasing your liability for any damage or detriment incurred by the customer as a result of your acts or failure to act. Your duty of care would be heightened to that of a fiduciary.
- Second, most (if not all) insurance agents' professional liability (errors & omissions) insurance policies specifically exclude from coverage any acts, errors, or omissions related to the agent acting in the role of a fiduciary.
- Third, applicable state laws may control the circumstances under which a licensed insurance agent or other financial services professional may act as an "Attorney-in-fact" (holder of the POA) on behalf of an unrelated person and/or may expressly eliminate the ability of any attorney-in-fact to transfer ownership of a policy to him/herself or designate him/herself as the beneficiary of the policy.
- Fourth, if an insurance agent is designated as the owner or beneficiary of a policy, without a demonstrable insurable interest at the time the policy is issued, it is a violation of state law. In addition, some states have passed or considered legislation prohibiting transfer of ownership, for a period of time subsequent to the policy issue date, if the new owner also has no insurable interest in the insured.
- Finally, even transactions involving close or immediate family members must be carefully considered. For example, if an agent sells a policy to a parent and advises the parent to designate the agent as the sole beneficiary of the policy, to the exclusion of his/her siblings, the result could be family disharmony and/or legal action on the part of the siblings. Thus, even where insurable interest is clear, the appropriateness of an owner/beneficiary arrangement may be questionable.

Likewise, if an agent becomes the trustee of an irrevocable life insurance trust insuring the life of a parent, changing family dynamics could increase the likelihood of allegations of breach of fiduciary duty or even self-dealing.

Other conflict of interest issues can arise within the context of an agent-client relationship. While strong customer relationships and persistent business are encouraged, the following transactions between Global Atlantic producers and customers are prohibited:

- Lending money to a customer
- Borrowing money from a customer
- Commingling your funds with those of a customer
- Making any unauthorized transactions, including the submission of applications contrary to the wishes of the customer

Engaging in any such activities may not only result in possible termination of your appointment, but it could also be a violation of state law, which could subject you to statutory fines or penalties and possibly result in revocation or suspension of your insurance license.

Customer Signatures & Correspondence

The acknowledgement via signature that the customer understands certain information or undertakes certain obligations when purchasing an insurance product is an important part of the sale. The application, issue and delivery processes include requirements around the execution of certain documents and forms. We maintain on our websites some helpful tips on what forms are required in connection with a given case. If you submit business through another entity such as a broker-dealer or IMO, that entity will have different processes and forms that you must complete for the business to be considered to be IGO (in good order).

Agents are not permitted under any circumstance to sign a customer's name, including their initials, on the customer's behalf even if it is with the customer's authorization. Signing a customer's name will subject the agent to disciplinary action by the Company, up to and including termination of appointment. This includes applications, disclosures, illustrations, delivery receipts and any other forms associated with the policy/contract. Neither agents nor their staff are permitted under any circumstance to call, email or otherwise communicate with the Global Atlantic Home Office and falsely represent that they are the policyholder or contractholder.

Keeping Track of Requirements on New Cases

The following are some tips on processing applications and related forms in connection with new business requirements:

For any point-of-sale disclosure forms that require customer signatures, you should:

- Explain the information contained in the form
- Ask the customer to read the form
- Verify that the customer signs the form (if required)
- Make sure the customer records the actual date of his/her signature
- For life insurance policies, an HIV informed consent form must be signed by the customer before a blood sample can be taken

- Verify that the application and all applicable required disclosure forms are properly completed and signed by the appropriate person, if signatures are required on the form
- In situations where the owner and insured or annuitant are two different parties, pay close attention as to whose signature(s) is required
- In cases involving a policy or contract owned by a business entity, a company officer other than the proposed insured must sign the application and related forms on behalf of the business
- Examples of disclosure forms include replacement forms, product illustrations, Buyer's Guides, NAIC Annuity Producer Disclosure, guaranty association notices and various other point-of-sale and delivery disclosure forms
- Leave the appropriate copy of each disclosure form with the customer as required

Policyholder/Contractholder Service Requests

- Immediately refer all policyholder/contractholder service requests to the Company
- Requests for policy loans, partial withdrawals, or cancellations (along with any refunds of unearned premiums and any cash surrender values) will be promptly handled after proper written requests signed by the policyholder(s) and any interested parties (e.g., assignees or irrevocable beneficiaries) are received.
- Current Company policy may modify signature requirements for certain requests in the interests of prompt customer service
- All notices (e.g., confirmation, premium due, lapse or reinstatement) will be sent to the last known physical or email (if e-delivery was elected) address of the policyholder, unless the Company has on file a signed written request from the policyholder giving different instructions.
- We will not accept a change of the customer's address to the address of the agent. We monitor change of address activity to detect changes involving an agent's address and will take corrective action where warranted. Where a change of address form is used, it must be signed by the policyholder/contractholder.
- Life insurance reinstatement applications must be signed by the owner and will be promptly reviewed according to regulatory requirements, Company policy and applicable policy form language.

Illustrations

Global Atlantic believes that the proper use of compliant illustrations facilitates the agent's explanation of our products to prospective customers. When properly used, illustrations can help promote the customer's understanding of the product they are considering purchasing. A customer's overall comprehension of policy features, guaranteed and non-guaranteed elements, access to policy values and policy limitations can be enhanced through illustrations. The content and use of illustrations is regulated by the states and not just by regulations designed specifically for the subject of illustrations. Advertising laws and unfair trade practice statutes also come into play when an insurance product is portrayed or depicted in any product presentation, including illustrations. For securities products like variable annuities, registered index-linked annuities and variable life insurance, the NAIC illustration regulations are coupled with the FINRA Advertising Rules to ensure that the communications are fair, balanced and complete. When selling registered products, we recommend that you check with your broker-dealer to ensure that you are following their policies regarding the use of illustrations.

The fundamentals of the NAIC Life Insurance Illustrations Model Regulation (“Illustrations Model Regulation”) are as follows:

Purpose and goals

- To protect consumers
- To foster consumer education
- To ensure that illustrations do not mislead purchasers of insurance products
- To make illustrations more understandable

Definition

The definition of an “illustration” is very broad:

“A personalized presentation or depiction prepared for and provided to an individual consumer that includes non-guaranteed elements of an annuity contract over a period of years.”

“Any presentation or depiction that includes non-guaranteed elements of a policy of life insurance over a period of years.”

General Prohibitions

In addition to providing details on the content requirements for illustrations, the Illustrations Model Regulation contains a number of general prohibitions from which all agents should refrain.

- Representing the policy as something other than a life insurance product
- Using or describing non-guaranteed elements in a misleading manner
- Depicting policy performance based on assumptions more favorable than the issuing insurance company’s current dividend scale or interest crediting rate
- Providing an incomplete illustration (all pages of the Basic Illustration must be provided to a customer)
- Representing that premium payments will not be required for all years, unless that is a fact

Presentation of Illustration to the Customer

Producers are prohibited from highlighting or writing on illustrations in any way that brings prominence to particular elements or features, especially non-guaranteed elements. The following types of “mark-ups” are generally permitted:

- Highlighting agent name, address, phone number
- Adding a phone or fax number, or email address
- Writing the application number on the illustration
- Writing the date the illustration was shown to the customer
- Writing the date of the next appointment with the customer

Customers may be unfamiliar with insurance products and terminology. They are depending on you – the financial professional – to provide this information in an understandable way. Producers who are new to Global Atlantic should carefully read through the Illustration in order to be better able to respond to customers’ questions.

Note: Any depiction or portrayal of one of our life insurance products that contains non-guaranteed elements over a period of years is subject to the Illustrations Model Regulation. Additionally, you should be aware that any material that you create that refers to non-guaranteed elements of any kind, including premiums, projected values, cash flow out of the policy, etc., constitutes an advertisement under the NAIC Advertising Model Regulation and, therefore, must be submitted to the Home Office for review and approval prior to use.

Annuity Illustrations

We maintain an extensive annuity illustration capability in order to provide you with accurate illustrations of our annuity products that provide the consumer with clear information about the product, along with key disclosure information. These are the only authorized illustrations of our annuity products. No alternative depictions of our products by any third party are permitted without the express consent and approval of Global Atlantic.

Annuity Disclosure Model Regulation – Annuity Illustration Standards

In 2011, the National Association of Insurance Commissioners adopted amendments to the Annuity Disclosure Model Regulation. In addition to changes in requirements for annuity disclosure documents and Annuity Buyer's Guides, the revised Annuity Disclosure Model Regulation contains annuity illustration standards.

Although the Annuity Disclosure Model Regulation does not impose a requirement that an illustration be used in all cases, it does impose a number of general requirements in the event an illustration is used in the sales process. There are general requirements regarding the content of annuity illustrations, with special requirements for fixed index annuities. The following is a partial list of the requirements:

- The illustration may not be provided unless accompanied by the disclosure document (Product Disclosure)
- The insurer must maintain a system of control over the use of illustrations for its annuity products
- The illustration may not describe non-guaranteed elements in a manner that is misleading or has the capacity or tendency to mislead
- The illustration may not state or imply that any non-guaranteed elements are guaranteed
- Costs and fees of any type must be individually noted and explained in the illustration
- Any charges for riders or other contract features assessed against the account value or crediting rate will be recognized in the illustrated values and must be accompanied by a statement indicating the nature of the rider benefits or contract features and must indicate whether or not they are included in the illustration
- Guaranteed death benefits and values available upon surrender, if any, for the illustrated contract premium must be shown and clearly labeled as guaranteed
- The non-guaranteed elements underlying the non-guaranteed illustrated values can be no more favorable than current non-guaranteed elements and can not include any assumed future improvement of such elements
- For fixed index annuities, the non-guaranteed illustrated values must be calculated and displayed for three different scenarios:
 1. one scenario to reflect historical performance of the applicable index for the most recent 10 calendar years
 2. one scenario to reflect the historical performance of the applicable index for the continuous period of 10 calendar years out of the last 20 calendar years that would result in the least index value growth (not the least accumulated value growth)
 3. one scenario to reflect the historical performance of the applicable index for the continuous period of 10 calendar years out of the last 20 calendar years that would result in the most index value growth (not the most accumulated value growth)

Note: As of the publication date of this Guide, a number of states have adopted the revised Annuity Disclosure Model Regulation with its standards for annuity illustrations. Aside from the more granular requirements contained within the Annuity Disclosure Model Regulation, many of the themes contained in the Annuity Disclosure Model Regulation reflect existing guidance contained in other regulations such as advertising and unfair and deceptive trade practice regulations. Therefore, consideration of the Annuity Disclosure Model Regulation's requirements may be a good practice even in states that have not adopted it. IMOs that wish to create their own illustrations to sell a Forethought Life Insurance Company annuity product must submit these requests to Global Atlantic Compliance for review/ approval prior to use.

- The resulting interest credits and accumulated values for the three scenarios must be displayed as well and in graphical form. The most recent 10 calendar years and the last 20 calendar years for the calculations above are defined to end on the prior December 31, except for illustrations prepared during the first three months of the year, for which the end date of the calendar year period may be the December 31 prior to the last full calendar year
- The non-guaranteed ledger within the illustration must use the “most recent 10 years scenario”
- The non-guaranteed elements, such as caps, spreads, participation rates or other interest crediting adjustments, used in calculating the non-guaranteed index-based interest rate can be no more favorable than the corresponding current elements
- Additional requirements include definitions for column headings and other key terms, parameters on how many years are shown in the illustration, and a “narrative summary” which, among other things, requires a brief description of contract features, riders and options, whether guaranteed or non-guaranteed, that are shown in the illustration and the impact they may have on the values and benefits of the contract
- For fixed index annuities, two statements containing, in substance, the following:

“This illustration assumes the index will repeat historical performance and that the annuity’s current non-guaranteed elements, such as caps, spreads, participation rates or other interest crediting adjustments, will not change. It is likely that the index will not repeat historical performance, the non-guaranteed elements will change, and actual values will be higher or lower than those in this illustration but will not be less than the minimum guarantees.”

“The values in this illustration are not guarantees or even estimates of the amounts you can expect from your annuity. Please review the entire Disclosure Document and Buyer’s Guide provided with your Annuity Contract for more detailed information.”

Investment Advice

Global Atlantic understands there are producers who are contracted with our companies and who are also licensed to offer and sell securities and/or provide investment advice to customers, but some may not. If you do not have the appropriate securities registration(s), you are prohibited from providing investment advice (i.e., advice about securities) to existing or prospective customers.

Whether a producer is providing investment advice that requires securities registration depends on the facts and circumstances; however, if you are not licensed to discuss securities or provide investment advice, then the following activities should be avoided:

- Recommending the liquidation of a security, including an individual bond, stock, mutual fund, EFT, variable life insurance policy, variable annuity contract or registered index-linked annuity (RILA);
- Recommending a specific allocation among asset classes;
- Discussing the characteristics, advantages and disadvantages of a particular security; and
- Advising a customer as to whether securities are relatively more or less suitable than a fixed insurance product.

NOTE: This is not an exhaustive list and there are other obligations and information that may be required to comply with the Suitability in Annuity Transactions Model Regulation and any other regulatory requirements with which you must comply.

Because variable insurance products (variable life and variable annuities) are both securities and insurance products, and are regulated by separate regulatory authorities, contradictory regulations are sometimes implemented. Producers without securities licenses frequently face challenges with this reality when they attempt to provide a comprehensive analysis of the customer's financial circumstances and objectives in the course of needs-based selling. In most states, producers are required by regulation (e.g., Suitability in Annuity Transactions Model Regulation) to "make reasonable efforts to obtain, among other things, information concerning:

1. The consumer's financial status;
2. The consumer's tax status;
3. The consumer's investment objectives; and
4. Such other information used or considered to be reasonable by the insurance producer in making the recommendation to the consumer."

Even where there is no specific discussion of investment products, if a customer chooses to liquidate securities in order to provide a source of funds for an annuity or life insurance product, state securities commissioners and other regulators may regard such a transaction as involving the dispensing of investment advice.

For example, the state of Arkansas issued a joint bulletin from the state's securities and insurance departments notifying all agents and producers that:

"The recommendation to replace securities such as mutual funds, stocks, bonds and various other investment vehicles defined as securities under the Arkansas Securities Act is the offering of investment advice."

AND

"It is unlawful to offer investment advice unless one is registered (licensed with the Arkansas Securities Department as an investment advisor or investment advisor representative.)"

In contrast, Iowa Insurance Bulletin 11-4, which was issued by the Iowa Insurance Division and Securities Bureau, provides specific guidance on permissible and prohibited activities for "Insurance-Only (Licensed) Persons" and "Securities-Only (Licensed) Persons." The Iowa regulator recognized that consumers often make a decision to liquidate securities to fund insurance products on their own and without specific advice from an "Insurance-Only Producer" to do so. Bulletin 11-4 recognizes that under the Suitability in Annuity Transactions Model Regulation, insurance producers have a duty to examine and evaluate a consumer's financial circumstances including, among other things, their existing assets, risk tolerance and the financial resources used for the funding of the annuity.

Pursuant to Bulletin 11-4, "Insurance-Only (Licensed) Persons" in Iowa should have a clear understanding of what activities they must avoid, while still providing a suitable recommendation to their clients. Likewise, persons who hold only a securities license in Iowa should have a clear understanding of the limitations of their licenses when discussing matters involving insurance.

If you are not registered to provide investment advice, you must avoid specific discussion of the securities in your client's portfolio. You should avoid making specific recommendations to any customer to liquidate specific assets that are securities, including variable life and variable annuity products, to provide the source of funds for the premium on a non-registered life insurance policy (e.g., indexed universal life) or annuity contract (e.g., fixed annuity, fixed index annuity).

You are responsible for being aware of, and abiding by, all of the applicable laws of the state(s) in which you conduct business – whether they derive from insurance regulation, securities regulation, unfair trade practice statutes or other laws.

Regardless of the jurisdiction in which you conduct business, if you become aware that the funds to be used for the premium on an insurance or annuity product that you sell will come from a security, including variable insurance products, then you should consider taking steps to make it clear to the client that the liquidation of the security is based on the independent evaluation and decision of the customer and/or the customer's licensed securities representative, and not on any recommendation made by you.

Below are key reminders regarding investment advice and source of funds:

1. Do not provide specific advice about liquidating or replacing a security.
2. Consider including statements in your marketing materials that clearly reinforce what services you do and do not provide.
3. Be careful to avoid using phrases that may lead customers to believe that you are licensed to provide services other than what you are licensed to provide.
4. Consider obtaining a clear acknowledgement from the customer that any decision they make to liquidate securities to provide some or all of the funds for the purchase of an insurance product is their independent decision, and not the result of any specific recommendation made by you.
5. Be clear with the customer that if they are considering the liquidation of a security, or they otherwise require investment advice, they should seek the advice of a properly licensed securities professional.

New Business

Note: If you are submitting business through another entity, such as a broker-dealer or IMO, that entity may have different processes, forms and policies that must be completed and adhered to.

A critical component of an insurance producer's duties is to organize and submit new business cases with accuracy and completeness. Not only does this assist Global Atlantic's Home Office staff in expediting the issuance process and, by extension, you receiving compensation for your work, it enhances your image and reputation with the Home Office. Consider using a new business checklist to ensure that you have included all forms necessary for the annuity contract or life insurance policy to be issued. All states have regulations related directly to the new business process associated with the sale of life insurance and annuity products. Different stages of the new business process call for specific requirements. It is important that you understand the rules regarding time-of-application vs. issue vs. delivery requirements.

Taking Applications

You should carefully review the application for completeness. Please keep in mind that the application may become a part of certain annuity contracts. When taking applications for annuities, the following points should help ensure your cases are submitted in good order:

- Make every effort to ensure the information provided by the applicant is complete and correctly recorded.
- Explain what constitutes a replacement before asking the applicant if replacement is involved. If replacement is involved, follow the applicable procedures and disclosure requirements before proceeding with the application.
- Ask the applicant to carefully review the application before they sign it.

Note: Agents do not have the authority to waive any of the Company's informational or underwriting requirements, or to modify the terms of the Company's applications, policies, or information disclosures.

- Make sure the applicant records the actual date and location where the application is signed.
- Never permit an applicant to sign a blank or incomplete application or form.
- Never alter or amend any documents obtained.
- Carefully complete the Annuity Suitability Questionnaire and Acknowledgement Form or Consumer Profile Form.
- Always record the name and agent code of the agent who takes the application and witnesses the signatures of the applicant.
- Promptly submit all applicable documents in full to the Company, including the application and initial premium payment, replacement form, suitability, and disclosure documents, 1035 exchange transmittal, and any other required forms.
- Complete any additional state-specific point-of-sale forms that are required.

Handling of Customer Funds

Funds collected on behalf of the Company, including the initial premium and any other requested funds (e.g., 1035 exchange or other transfer funds), must be submitted to the Company immediately after receipt. All premiums, after the initial premium, should be submitted directly to the Company by the customer. Global Atlantic does not allow premiums to be paid from agents' accounts.

Do not commingle customer funds with agent funds. Agents are expected to maintain adequate records and procedures to ensure proper handling of customer funds. Agents may not rebate or advance premiums.

Policy/Contract Issuance

Here's a tip: If you have a case that you anticipate, due to its size, underwriting issues, suitability aspects or ownership and beneficiary arrangements, may trigger additional questions by the New Business Department, Underwriting, or Legal and Compliance teams, it would be helpful for you to provide us with as much additional information as possible in a cover letter, submitted by you with the application.

It is important that you familiarize yourself with the New Business requirements for life insurance and annuity cases. At Global Atlantic, we want to make the process for issuing your new cases as efficient and responsive as possible. As an insurance professional, you are a valuable customer for us, and we want you to have all of the information necessary to complete all requirements and forms for the business you submit. When cases are submitted "not in good order" (i.e., NIGO), the number of outstanding issue requirements is greater, the chance of errors in the processing of the case may increase, and unnecessary delays may ensue.

The adequacy and timing of some forms and requirements also may be directed by statute or regulation. We realize that, in some instances, the proper and timely completion of required forms seems like a purely administrative or ministerial function. We provide tools for you on the financial professional website to assist you in the proper completion of annuity and life insurance applications and related forms. Please utilize these helpful tools to increase the chances that all regulatory and issue requirements are met the first time around.

Delivery Requirements/Delivery Receipts

Global Atlantic focuses on a pro-active approach in gathering all requirements necessary before the end of the policy delivery period. Policy delivery provides the agent with the opportunity to reinforce the reason(s) for the purchase and hopefully prevent any subsequent external replacement of the policy.

Agents can assist in properly executing policy delivery by:

- Knowing and abiding by the Company's delivery period standards and policies.
- Executing and returning any amendments, illustrations and delivery receipts, along with any additional delivery requirements within the Company's delivery period.

Remember: A signed delivery receipt is yours and the Company's best documentation that the policy has been successfully delivered. It adds clarity to the commencement date of the "free look" period, and it completes a key outstanding requirement in the case file. (Note: For annuity sales, only certain states require delivery receipts.)

Free Look Period Cancellation. Requests for a free look with a refund of premiums paid will be promptly handled, according to regulatory requirements, Company policy and applicable policy form language. To cancel a policy during a free look period, the policyholder must do the following (as stated on the cover page of the policy):

1. Sign and date a written request to cancel the policy within the specified amount of time – check the state requirement;
2. Submit the written request to the home office or the agent; and
3. If the agent receives the written request, he/she must immediately forward the request to the home office.

Requests to cancel (i.e., free look) policies that do not satisfy these conditions (such as a verbal request from the policyholder to the agent, or from the agent to the home office) are generally not valid and may not be honored by the Company. Likewise, agents do not have the authority to request cancellations of policies. Any agent that receives a verbal request from a policyholder asking to cancel their policy should inform the policyholder that the verbal request is insufficient and explain the above conditions that must be satisfied for a proper and valid cancellation.

Record Keeping

Agents should know applicable state requirements concerning record keeping. Even if a state does not have specific requirements, agents should maintain customer files with at least the following:

- Client profile information and the basis for the agent's recommendation.
- A copy of the application, illustration, signed point-of-sale disclosures, replacement form (if applicable), policy delivery receipt and any correspondence or complaints.
- The control number and/or form number of the advertising or sales literature that was communicated to the customer.

You should retain documentation in your permanent client files in an organized, easily retrievable manner. You should also periodically review and update the information with the customer.

Non-Resident Solicitation (Cross-Border Sales)

It is important for agents to understand the rules and regulations that pertain to non-resident sales of insurance products. **A "non-resident sale" (sometimes referred to as a "cross-border sale") occurs whenever a customer purchases a life insurance policy or an annuity contract outside his/her state of residence.**

One of the missions of state insurance departments is to protect their residents from purchasing products that have not been approved in their respective states, as well as making sure only agents and companies properly licensed in their respective states are conducting the business of insurance. More than ever, state insurance departments are examining transactions in which residents of their states are being sold insurance products outside their jurisdiction. The repercussions for agents and insurance companies can be severe – fines, penalties, remediation, suspension of agent license or certificate of authority.

With our mobile society, you will likely experience situations in which there is an opportunity to sell a life insurance policy or annuity contract to an individual who is not a resident of the state in which you are located or conduct business. If the solicitation for the sale of an insurance product takes place in a state that is not the state of residence of the applicant/owner, you must comply with the following guidelines and requirements:

- Provide accurate and complete disclosure to Global Atlantic of the location of solicitation, application, and delivery
- Provide evidence that the applicant/owner was in the non-resident state for reasons other than merely to purchase an insurance product at the time of application
- For annuity applications, complete Form # FA8000-05 (10-20) (Non-Resident Information Sheet)
 - Describe the nexus between the applicant/owner and the non-resident state in which the sale occurs.
 - Indicate the reason(s) the applicant/owner was in the non-resident state at the time of solicitation.
- Solicitation, application, premium collection, and policy/contract delivery must occur in the same state.

Keep in mind the following points when attempting to demonstrate a sufficient nexus between an applicant/owner and the non-resident state in which the solicitation takes place:

- The following are generally acceptable reasons for both the solicitation and sale to occur in the non-resident state:
 - A second home owned by the applicant
 - A business owned by the applicant
 - Employment
- The following may, depending on the type and regularity of the contacts, be acceptable reasons for both the solicitation and sale to occur in the non-resident state:
 - Regular business dealings
 - Former residence with regular visits to family/friends

State insurance departments will not tolerate agents who deliberately bend the rules in the course of selling products to individuals outside of their own state of residence. In order to sell products to individuals outside of their own state of residence, an agent must maintain the appropriate non-resident license(s) and only sell products approved in the non-resident states while conducting business in those states. In addition, agents must be familiar and comply with all rules and regulations in each state for which a non-resident license is held.

The following are prohibited practices:

- Do not act as an agent in any state in which you are not licensed.
- Do not sell products in any state where they are not approved.
- Do not invite a potential prospect from one state to a seminar in another state due to product unavailability in the prospect's state of residence.
- Do not advise a prospect who is a resident of one state to travel to another state due to product availability.
- Do not submit an application indicating the application was signed in a state in which, in fact, it was not completed and signed.
- Do not act as a "surrogate" for another agent who is not properly licensed in the state in which the solicitation occurs.

Based on Global Atlantic's current interpretation of applicable state regulations and bulletins, the following states prohibit sales of insurance products to their residents outside of their state of residence, regardless of the circumstances of the case or the connection to the non-resident state:

- Arkansas
- Massachusetts
- Minnesota
- Mississippi
- Oregon
- Utah
- Washington

The rules regarding non-resident sales can be challenging, and there are a number of situations, especially in cases where the applicant/owner and the proposed insured or annuitant are different persons, where it may be difficult to determine (1) where the solicitation took place, (2) which state's rules should apply, and (3) which state's forms should be used. If you have questions about how to proceed in such cases, please contact the Global Atlantic Compliance Department to discuss the case.

Privacy and Data Protection

Protecting the privacy of our customers' information is an important aspect of providing excellent customer service and maintaining the trust of our customers. You are required to protect your customers' Nonpublic Personal Information ("NPI") in accordance with your Selling Agreement, this Guide and all applicable federal and state laws. All NPI obtained by you on behalf of or from the Company in the performance of your duties and obligations under the Selling Agreement or otherwise shall be used by you only as necessary to fulfill your obligations under the Selling Agreement and shall not be disclosed unless specifically authorized in writing by the person who is the subject of the information or as otherwise permitted by law.

"Nonpublic Personal Information" has the meaning set forth in Section 509 of the Gramm-Leach-Bliley Act (P.L. 106-102) and any federal and state law(s) and regulation(s) that implement that Act and includes but is not limited to the name, address, date of birth, social security number, beneficiary information, and financial or health information of an applicant, insured, policyholder, or prospect.

Customers have the right to expect that the information we receive from them will be used only in connection with their application for a life insurance or annuity product as well as the subsequent servicing of any policy or contract that we issue. They expect that their information will be protected from unauthorized use, and from others who should not have access to their personal information. Therefore, we are committed to protecting the confidentiality and integrity of each of your clients' personal, non-public information as they become our customers. Likewise, you have the following fundamental obligations:

- Protect non-public personal information of our customers consistent with Global Atlantic's Privacy Policy and in accordance with the terms of our Selling Agreement with you.
- Implement internal controls to ensure the confidentiality and security of customer information is not breached.
- Notify Global Atlantic's Privacy Team at privacy@gafg.com immediately if our joint clients' data is compromised or is reasonably believed to be compromised so that we can take appropriate actions.
- Secure all documents, desktop computers, laptops and additional resources used to store non-public personal information.
- At all times during the term of your Selling Agreement and your appointment with Global Atlantic, you are required to comply with all applicable state and federal privacy and data protection laws.

Professional Liability Insurance (Errors & Omissions Insurance)

Global Atlantic believes that its producers are dedicated to providing high quality products and service to their clients. Despite best efforts and best practices, misunderstandings do occur and there are times when a customer may make a complaint against you or a demand upon you in the course of performing your activities as a financial services and insurance professional. You may also be named in a lawsuit for alleged acts, errors or omissions in the conduct of your business.

Proof of Errors and Omissions Insurance

At time of contracting and appointment with any Global Atlantic insurer, you must provide proof of your current in-force E&O coverage that is acceptable to us. We require proof that **(1)** the coverage is provided through an insurance carrier and is not a "self-insured" program, **(2)** the individual agent has coverage under the policy (rather than merely providing aggregate coverage for an entity with which the agent is affiliated), **(3)** the policy provides coverage for the sale and servicing of life insurance and annuity products within its definition of "professional services," and **(4)** the coverage amounts provided are at least \$1 million per claim / \$1 million annual aggregate per agent.

It is critical that you maintain your E&O coverage in force while you have an active appointment with any Global Atlantic company. This is an obligation under your Selling Agreement, and we may, from time to time, request proof that your E&O coverage has remained in force for the entirety of your appointment. Failure to maintain continuous in-force E&O coverage while appointed with any Global Atlantic company may result in termination of your Selling Agreement.

Prevention of Professional Liability Claims

Below are some measures that you can take that may reduce your exposure to E&O claims:

- Maintain character, integrity and fair dealing as unwavering cornerstones of conduct.
- Take your field underwriting responsibility seriously. Create strong client relationships with continuous communication and strong listening skills.
- Document all important communications.
- Make sure the client understands what they are purchasing and why.
- Do not exceed your expertise.
- Stay current and take continuing education seriously.
- Train your staff thoroughly and appropriately.
- When engaging in joint work with other agents, be sure to require the same standards of conduct that you have established for yourself.
- Work cooperatively with the client's other advisors – do not avoid them.
- Avoid systematic replacement business and maintain strict compliance with all state requirements when replacement is in the best interest of the client.
- Perform your own due diligence on the insurance companies you represent and the products you sell.

Replacements

Global Atlantic does not encourage or condone the systematic or deliberate replacement of existing life insurance policies and/or annuity contracts (sometimes referred to as “churning and/or twisting”) as a marketing practice or method of doing business. This includes not only replacement of other companies’ policies and contracts, but the internal replacement of Global Atlantic life insurance policies and annuity contracts as well. At the same time, we acknowledge that not all replacements are improper and that some may be appropriate based on an individual customer’s needs and objectives. In considering any replacement recommendation, the needs and objectives of the customer must be considered.

It is vitally important that you understand the very broad definition of a replacement (outlined below), and that you are completely transparent with both the customer and Global Atlantic whenever a replacement transaction is occurring. Do not try to disguise a replacement transaction by:

- Failing to identify the transaction as a replacement
- Failing to recognize that a “financed purchase” is a replacement
- Recommending that the customer take a large withdrawal or policy loan to fund a new policy or contract and allowing the existing policy or contract to lapse at a later time
- Recommending that the customer surrender the policy/contract outside the IRC Section 1035 process, or otherwise failing to acknowledge that a replacement is occurring, and then subsequently using those proceeds in conjunction with the purchase of a new policy/contract

When is a sale considered a replacement?

Many states have adopted the NAIC Life Insurance and Annuities Replacement Model Regulation (“Model Replacement Regulation”). Global Atlantic’s guidelines are derived, to a large extent, from the Model Replacement Regulation. Replacement regulations extend beyond situations where an existing life insurance or annuity contract is completely surrendered or otherwise terminated. A number of other transaction types are also covered within replacement regulations and laws. It is important that you understand what is considered a replacement transaction and what the applicable requirements are for each state in which you conduct business.

A replacement of life insurance and/or annuities occurs when:

- A client applies for any type of life insurance policy or annuity contract with Global Atlantic, or applies for a face amount increase on an existing Global Atlantic life insurance policy; **and**
- The client owns an existing policy or contract, including any life insurance policy or annuity contract issued by a Global Atlantic company, even if still within the free look period, or any life insurance policy or annuity issued by another company (this includes any life insurance under a binding or conditional receipt of another company); **and**
- **The agent knows, or with a reasonable amount of inquiry should know, that an existing policy or contract has been or will likely be:**
 1. Lapsed, forfeited, surrendered, partially surrendered, assigned to the replacing insurer or terminated;
 2. Converted to reduced paid-up insurance, continued as extended term insurance, or reduced in value by use of a non-forfeiture benefit or other policy value;
 3. Amended to effect either a reduction in benefits or in the term of coverage;
 4. Reissued with any reduction in cash values; or
 5. Used in a “financed purchase”

The rules apply even if an existing life insurance policy is being replaced by an annuity contract, and vice versa.

It is critical that you understand the definition of “replacement” under the Model Replacement Regulation is broad, and the regulation applies not just to full surrenders of existing life insurance policies or annuity contracts, but it also extends to new policies or contracts purchased with any funds (e.g., withdrawals or partial surrenders) from existing policies or contracts.

The Important Notice: Replacement of Life Insurance or Annuities (Appendix A in the Model Replacement Regulation) is very instructive in this regard. It presents two key questions:

1. Are you considering discontinuing making premium payments, surrendering, forfeiting, assigning to the insurer or otherwise terminating your existing policy or contract? Yes No
2. Are you considering using funds from your existing policies or contracts to pay premiums due on the new policy or contract? Yes No

Note that with respect to Question #1, in addition to life-to-life replacements and annuity-to-annuity replacements, the regulation also applies to life-to-annuity replacements and annuity-to-life replacements.

Note also that Question #2 underscores the fact that **any time a customer uses any funds from an existing policy or contract to pay premiums on a new policy or contract, it is considered a replacement transaction.**

Under the Model Replacement Regulation, a so-called “financed purchase” is included in the definition of a replacement transaction. A financed purchase is described as “the purchase of a new policy involving the actual or intended use of funds obtained by the withdrawal or surrender of, or by borrowing from, values of an existing policy to pay all or part of any premium or payment due on the new policy.”

Further, the Model Replacement Regulation provides:

“For purposes of a regulatory review of an individual transaction only, if a withdrawal, surrender, or borrowing involving the policy values of an existing policy is used to pay premiums on a new policy owned by the same policyholder and issued by the same company, within 4 months before or 13 months after the effective date of the new policy, it will be deemed prima facie evidence of the policyholder’s intent to purchase the new policy with existing policy values.”

Suitability of Replacements

In order to determine if a replacement is beneficial to the client, you and your client together should consider all aspects of the proposed new policy or contract compared to the old policy or contract, as well as the financial needs and objectives of the client. If the benefits of the proposed replacement appear to be in the best interest of the client on both a short-term and long-term basis, the replacement may be justified.

The foundation for any replacement transaction must be that the agent’s recommendation is in the best interest of the client. With each replacement transaction, an agent should be able to show that alternatives to replacement were discussed with the client and that there is a demonstrable benefit to the client from the replacement recommendation. The considerations for and evaluation of a replacement transaction are inextricably tied to suitability, and it is important to remember that “newer isn’t necessarily better.”

Before recommending a replacement, always obtain proper documentation of the existing coverage. This may include an in-force illustration, annual statement, or a letter from the existing insurance company.

Considerations for life insurance replacements are somewhat different from those for annuity replacements. Before recommending a replacement, be sure to obtain up-to-date information regarding the existing life insurance policy or annuity contract and compare and contrast the existing coverage with the proposed new product. The agent should take all relevant factors into consideration, including the following:

Annuity-to-Annuity Replacements

- Surrender charges incurred if current annuity contract is replaced
- Market Value Adjustment on surrendered annuity contract
- Surrender charges of proposed annuity contract (duration and amount)
- Guaranteed and non-guaranteed values
- Death benefit provisions
- “Free” withdrawal amounts and limitations

- Financial status of client
- Retirement income needs of client
- Liquidity needs of client
- Flexibility of income/annuitization provisions
- Available riders and their associated costs/benefits
- Use of 1035 exchange process to prevent taxable gain, preserve carryover of cost basis

Life Insurance-to-Annuity Replacements

- Health of insured (especially if short life expectancy)
- Purpose for the proposed annuity (income needs vs. legacy for heirs)
- Beneficiaries will likely receive substantially less upon death of insured
- Loss of tax-free death benefit
- Loss of non-taxable (FIFO) withdrawals
- Clear disclosure of annuity surrender charges/other liquidity limitations
- Use of 1035 exchange process to prevent taxable gain, preserve carryover of cost basis

Alternatives to Replacements

You should always consider whether alternative solutions to your client's needs and objectives will work instead of replacing existing coverage. In any case, you should present other options to your client to weigh against replacement. Particularly, in regard to life insurance replacements, these options may include, but are not limited to:

- Updating an existing life insurance policy to provide better cash value growth.
- Leaving existing coverage in place and purchasing a new policy to meet additional needs.
- Finding out if the client qualifies for an improved rating classification on the existing policy. This may result in lower premiums and increased cash values.
- Exploring whether there are allowable adjustments to values, premiums, etc., on flexible type policies.
- Reviewing and /or choosing other dividend options, if applicable.
- Using dividends for paid-up additions or to pay off existing loans.
- Partially surrendering a policy to pay off an existing loan.
- If allowed, changing the current policy to the paid-up option and using premium saved to purchase a new policy.

NOTE: Some of these options may still constitute replacement transactions, but they may represent more suitable recommendations for the client.

Financial Professional's Responsibilities

The Model Replacement Regulation requires additional duties for agents in states that have adopted it:

- You must ask the applicant if he/she has any existing policies or contracts even if no replacement is proposed
- You must complete the replacement disclosure form ("Important Notice: Replacement of Life Insurance or Annuities") and obtain the signature of the applicant

- You must ask the applicant if he/she would like the replacement disclosure form to be read aloud
- You must also sign the replacement disclosure form
- You must provide a copy of the signed replacement disclosure form to the customer at time of application
- You must provide copies of all sales materials that you used in the sales process to the customer at time of application
- You must certify to Global Atlantic that you left with the applicant (owner) all sales materials that you used.
- You are responsible for providing copies of all such materials when requested by a state insurance department
- You must deliver the policy in a timely manner and return the Delivery Receipt promptly, where required, to the Home Office. Be aware that under the Model Replacement Regulation, a customer has an expanded “free look” period of 30 days for any policy identified as a replacement.

It is vitally important that you have a clear understanding of the requirements for a replacement transaction in each state in which you are licensed to sell life insurance and annuity products. Your compliance with and completion of all requirements when you make a replacement recommendation is critical in assisting Global Atlantic with demonstrating appropriate documentation to regulators in the course of Market Conduct Examinations.

Your own documentation within your client file is also crucial. You should always be in a position to demonstrate that you:

- Conducted a thorough review of your clients’ needs/objectives;
- Made a fair and careful comparison of the existing policy/contract with the proposed policy/contract; and
- Can readily articulate the primary reason(s) for the replacement recommendation (i.e., why it was suitable for the customer and provided a tangible benefit).

Use the replacement comparison forms in all states that require them. For all life insurance cases, make sure that you complete all of the questions on the Agent Report related to replacement transactions. We also urge you to submit a cover letter with the application on any replacement case and clearly explain the basis for the replacement recommendation.

Monitoring Replacement Activity

Global Atlantic takes its replacement monitoring responsibilities seriously, and we want our producers to be diligent in making only appropriate replacement recommendations that are suitable for the customer. You are in the best position to evaluate each individual customer’s needs, objectives, and current in-force life insurance and/or annuities. As a financial professional, you must be able to demonstrate the reasonableness of every product recommendation you make, and this responsibility is heightened in the case of replacements. Global Atlantic reviews replacement cases in the course of the new business process, and we examine the information provided on the application, as well as any additional details you provide on the suitability or other forms. We may request additional information about your recommendation, and in some cases, we may decline to issue the annuity contract.

Replacement activity is an area of significant focus for state insurance regulators. Global Atlantic regularly monitors replacement activity for signs of inappropriate replacements, including twisting and churning, and will address situations that appear to be excessive or inappropriate.

Replacement activity is monitored in a number of different ways, including:

- Reviewing the ratio of replacements to a producer's new business submitted to the company;
- Reviewing the number of replacement submissions;
- Customer complaints;
- Inquiries from other insurance companies; and
- State investigations and market conduct examinations.

We also seek to detect both internal and external undisclosed replacements. As part of our agent monitoring process, the Global Atlantic Compliance team may identify agents for further review of their replacement activity. In furtherance of the review, Global Atlantic may request additional information from the producer, such as submission of forms comparing both the past and present contracts and a further explanation of why the agent recommended the replacement. Depending on the result of the review, further action may be required, including but not limited to:

- Requirement to provide additional documentation, including a comparison form, for all new replacement transactions;
- Additional training;
- Formal or informal warning; and
- Disciplinary action up to and including termination of your Selling Agreement

You must disclose all replacement transactions and refrain from engaging in inappropriate replacement activity. Above all, make sure that your clients fully understand the reasons for any replacement recommendations that you make and that you are able to support all such recommendations through proper documentation.

Sales Practices

The following activities are prohibited and may result in disciplinary action up to and including termination of your producer contract with Global Atlantic.

Abusive or Coercive Sales Methods

Producers must strive toward presenting insurance products in a setting where customers are given meaningful choices in their decision to purchase an annuity product. Producers must not engage in any sales tactics that involve illegal, abusive, or coercive sales methods.

Responding to questions about the product recommended and clearly communicating about the product's advantages and limitations is an important part of the financial professional's job. There is nothing wrong with appropriately motivating a prospective customer to take action to solve his/her insurance needs. There is a long history in the insurance industry that clearly demonstrates how annuities have helped protect and sustain the financial well-being of individuals and their families.

However, abusive or coercive sales methods are unnecessary and will not be tolerated by Global Atlantic. A producer should not suggest, for example, that a prospective customer would be “foolish” not to purchase a particular product or create a false sense of urgency by stating that an insurance product is a “limited offer” and “you must act now.” Neither should a producer make any statements to the effect that a prospective customer’s family will be “disappointed with them” or that declining to purchase a product will result in “financial disaster.”

Competition

Global Atlantic is committed to fair and respectful competition. Producers may not disparage or defame any insurer, its products or another producer in the course of selling or attempting to sell our products. Neither may any producer misrepresent or inappropriately comment on an insurer’s financial strength. Any comparisons with other insurers’ products must be complete and balanced and comply with the accuracy and truthfulness requirements described in our Advertising Guidelines set forth in this Guide.

Global Atlantic believes its products can stand up favorably against those offered by its competitors. However, when comparing Global Atlantic products with those of competitors, it is necessary to present fair and balanced information. Providing current and potential customers with up-to-date, clear and accurate information is a key ingredient to a successful sale. Any time a producer purposefully makes false or misleading statements about a competitor in order to sell a Global Atlantic product, the producer is engaged in an unethical and illegal sales practice. Global Atlantic does not tolerate this type of sales strategy. When false or misleading information about a competitor (company or agent) is used to persuade a customer to induce a purchase, it is not only unethical and illegal; it may also create skepticism in the client generally about insurance products and producers. The entire insurance industry suffers as a whole from this activity.

As an individual producer, you can contribute to fair and balanced competition by:

- Refraining from making disparaging comments about other companies and/or agents
- Refraining from making false or misleading statements about other companies and/or agents
- Using up-to-date information when comparing Global Atlantic’s and its competitors’ products
- Refraining from suggestion that any particular company is in financial difficulty

Ghostwritten Materials

Global Atlantic prohibits the use of misleading marketing materials to improperly legitimize one’s credentials or background in the course of marketing and selling our products. One example of a prohibited marketing practice is the use of “ghostwritten” books, articles or other materials. A book or article is considered ghostwritten if an agent represents him/herself to be the author but has not actually substantively contributed to the writing of the material. The use of any media that misrepresents the true authorship is prohibited.

Providing third party information on insurance and financial topics is a valuable service that you can provide for customers. In those instances, in which an agent is the author of a book, article or newsletter, remember that such material constitutes advertising and may be subject to review and approval according to the submission requirements described in the Global Atlantic Advertising Guidelines.

It is acceptable to give customers newsletters and other material that you purchase from a third-party vendor as long as the real author is clearly identified and there is no attribution to or inference of authorship by the agent. You may acquire material that allows you to customize a piece with your own information or enables you to distribute reprints under the caption, "Provided By." This is acceptable as long as the true author's name is identified and proper attribution is provided.

Misrepresentation

The most prevalent allegation made by consumers in complaints is misrepresentation of one or more provisions of the life insurance policy or annuity contract. Such allegations are typically made with respect to interest rates, strategy earnings, contract length, surrender charge schedules and death benefits, but they are not limited to these topics.

Agents must provide consumers with a comprehensive, accurate description of the product during the sale. Use only materials that have been approved by Global Atlantic as outlined in the Advertising Guidelines. When discussing any term or provision of a life insurance or annuity product with a consumer, use Global Atlantic's sales materials and disclosure documents in order to provide a complete and accurate explanation of the product. Upon delivery, review the terms and provisions of the contract and specifically discuss the "free look" opportunity. By taking these steps, you may prevent future allegations of misrepresentation.

Allegations regarding misrepresentation may also occur after the sale. Be aware that information provided after the sale may lead to allegations of misrepresentation, and contractholders should never be provided with information that is misleading or has the potential to be misleading.

Pretext Selling

A growing concern identified by a number of regulators in recent years is the failure of insurance agents to clearly identify themselves as such and to deliberately camouflage the ultimate reason for contacting a prospective customer. Broadly speaking, pretext selling can be described as a sales/marketing practice by an insurance agent through which:

- The true purpose of a seminar, workshop, meeting or appointment is disguised through the use of subject matter other than insurance products, particularly in marketing materials such as lead cards and seminar invitations; and/or
- The true identity of the agent as a person engaged in the sale of life insurance products and/or annuities is not disclosed, and an alternative description is used that could mislead a consumer into believing that an agent is an "advisor," "consultant," "planner", "senior specialist," or some similar term unrelated to insurance sales.

Types of subject matter often involved in pretext selling include:

- Living trusts
- Tax preparation
- How to Avoid Probate
- How to reduce taxes on Social Security benefits
- Medicaid planning
- VA Benefits
- Roth Conversions

Particularly where the true identity and purpose are not disclosed, and personal information is obtained from a prospective customer, there are instances in which state regulatory authorities have taken action against agents, marketing organizations and companies. For example, California has described a “pretextual interview” as generally where a person, in an attempt to obtain information about a consumer, does one or more of the following:

- Misrepresents the true nature of the interview
- Pretends to be someone he or she is not
- Pretends to represent a person he or she is not in fact representing
- Refuses to identify himself or herself on request
- Fails to acknowledge that he or she is in the business of selling insurance products

If you solicit prospective clients for the sale of insurance products, you must not misrepresent the nature of your meeting. Prior to obtaining any financial information from a consumer, whether in an initial telephone conversation or at a subsequent meeting, you are required to disclose that certain information gathered may be used to solicit insurance products.

Rebating

Rebating is illegal in most states and prohibited by Global Atlantic in all states.

A rebate involves the return of value of any kind by the agent to the customer in connection with the purchase of insurance. Nothing outside the annuity contract may be introduced into the application process as an inducement for the consumer to purchase an annuity contract. Transactions that may be considered a rebate include but are not limited to:

- Any gift designed to induce a purchase
- Most states have maximum dollar limits for promotion of products
- Return/Sharing of commissions
- Payment by the agent or agency of all or part of any premium

Anti-rebating statutes are designed to **(1)** prevent the creation of competitive disadvantages among insurers and producers by creating a level playing field for all insurance professionals, and **(2)** protect insurance consumers and the public at large from unfairly discriminatory rates and practices by ensuring that an insurance policy’s written terms are applied consistently to all policyholders.

Rebating vs. Promotional Gifts

A number of states have issued bulletins to provide clarification on their anti-rebating laws, specifically addressing what would be considered an unlawful inducement to purchase vs. a permissible advertising or promotional incentive.

It is your responsibility to:

- Refrain from making any offers of refunds or bonuses, which are not specifically stated in the annuity contract
- Understand, know and abide by Global Atlantic’s policy and the anti-rebating laws and regulations of each state in which you hold an insurance license
- Contact the applicable state Department of Insurance if you have any questions about whether or not a gift is considered a permissible promotional gift in the states in which you conduct business.

Use of “Scare Tactics”

Global Atlantic understands that in the marketing of life insurance and annuity products, motivating a prospective customer to take action is an important element in the sales process. During the sales process, agents often utilize a combination of experience-based knowledge, creative expression via promotional and marketing material and information supplied by third parties.

As discussed above in the Advertising Guidelines section, all advertising and marketing materials that you create and wish to use in conjunction with the sale or attempted sale of a Global Atlantic product, or to create an interest in Global Atlantic, a Global Atlantic insurer, or its products, must be submitted for review and approval by Global Atlantic Compliance. In the course of our review of advertising submissions, we may discover messages, words, phrases and imagery that are inappropriate and that may require revision in order to be used. In addition, we may receive accounts from attendees at consumer directed seminars and workshops about statements and statistical information that are either untrue or misleading on their face or are used in an inappropriate context. Regulators often consider such inappropriate or misleading statements and information to constitute the use of “scare tactics.”

Global Atlantic will not tolerate the use of scare tactics in the sales process. Examples of statements that would likely be considered scare tactics by regulators include the following:

- “You know you’ll never see a dime of Social Security – it’s going bankrupt.”
- “FDIC is underfunded – your CDs are not safe.”
- “It’s not a matter of if you will run out of money, it’s just a question of when it will happen.”
- “Just look at the pension funds that have gone bankrupt. Your pension is probably worthless.”
- “Your assets will be seized when you go into a nursing home.”
- “Probate is devastating. You must avoid it at all costs.”
- “You’re going to lose 70 percent of your 401(k) and IRA money to taxes.”

Beyond specific statements, the use of statistical data, financial assumptions, and quotations from third party sources should be accurate and in an appropriate context. In addition, such information should not be used to frighten a consumer into believing his/her current financial products or plans are not viable or that they will result in a financial disaster.

The use of inappropriate imagery to motivate a customer may also be considered to be a scare tactic. Depictions of financially destitute individuals are inappropriate in promoting the sale of Global Atlantic products.

Motivating a prospect to take action may take many forms and is different from one customer to the next. However, the use of misleading information, unnecessary embellishment and, in the worst case, scare tactics, is unnecessary, unprofessional and potentially damaging to Global Atlantic and the industry. Global Atlantic will not tolerate the use of scare tactics in the promotion of its products. Your avoidance of such tactics will go a long way in enhancing your own professionalism, reducing your exposure to complaints and regulatory inquiries, and ultimately fostering stronger client relationships.

Sales to Seniors (Financial Exploitation & Abuse)

Selling to Senior Consumers

As a financial professional, you may have existing clients as well as prospective clients who are considered “seniors” in the states in which you are licensed to do business.

Regulators have demonstrated that a heightened duty of care is expected when agents interact with seniors or with those who may be deemed to be “vulnerable” if they lack the physical, mental or functional ability to make informed decisions about financial matters.

A number of states have enacted regulations that provide very specific protections for seniors in their interactions with financial services professionals and in their purchase of insurance and financial products. The state of California has established a number of requirements pertaining to sales to seniors – from advertising to prospecting to first contact to the ultimate sale. Other states like Florida, Texas and Arizona, with a high percentage of retirees, have prescribed similar protections for their senior populations.

With increasing frequency, regulators take the view that the age and stage in life of the consumer, as well as the extent of their experience with financial products, can influence how information presented to a consumer is perceived. For example, both state and federal regulators have noted that seminars aimed at seniors present unique challenges. If you engage in any type of seminar selling, particularly if your target audience is seniors, you need to be particularly vigilant in providing fair and balanced sales information to that audience.

It is your responsibility to be familiar with the insurance market conduct regulations of the states in which you conduct business and fulfill the requirements set forth under any senior-specific laws. The age threshold for persons considered to be “seniors” varies among states, but it is generally identified as starting at age 60 or age 65.

Any recommendation for the purchase of a Global Atlantic product must be made on the basis of reasonable grounds to believe the recommendation is suitable for the customer. Assessment of what is “reasonable” for a given customer is based on the information known by the agent at the time of sale. It is particularly important to carefully consider the amount of insurance you are recommending as well as the customer’s ability to pay for the planned premiums – both now and in the future. Another important consideration is the customer’s need for liquidity.

Be sure you are aware of specific state regulations regarding your extra duty of care when dealing with seniors as well as your responsibilities to identify and report suspected financial exploitation and abuse.

Financial Exploitation and Abuse

In recent years, a number of states have enacted regulations designed to prevent financial exploitation of seniors and other vulnerable persons. As a sales professional in the financial services industry, it is important for you to be aware of how to recognize financial exploitation and the circumstances in which you must report financial exploitation to a regulatory authority.

Potential Indicators of Financial Exploitation:

Various suspicious activities (“red flags”) may help you recognize possible financial exploitation of clients who are seniors or other vulnerable persons. The mere presence of a red flag by itself does not necessarily indicate financial exploitation. The red flags discussed below are warning signs that may warrant additional scrutiny.

Although the red flags set forth below refer to “seniors”, these indicators also apply to “vulnerable persons”. Vulnerable persons are individuals who are unable to protect themselves from abuse, neglect or exploitation by others because of a physical or mental impairment.

Red flags of possible financial exploitation of a client who is a senior include the following activities, whether by the senior or by an individual acting on behalf of the senior:

- The client engages in activity that is not consistent with expected behavior or past behavior. For example, the client takes several withdrawals within a brief time period in amounts that are not consistent with any prior withdrawal activity or that show a disregard for applicable surrender charges.
- The client requests a withdrawal or surrender where the funds will be used by an individual other than the client for their own personal benefit, not for the client’s benefit.
- The client requests a wire transfer when the client does not seem to know where the money is going or what a wire transfer is.
- The client requests a change of beneficiary to their caregiver or attorney-in-fact under a Power of Attorney.

Red flags of possible financial exploitation also include the following interactions you may have with the senior, caregiver, attorney-in-fact, or other individual:

- The individual shows excessive interest in the senior’s finances or assets, does not allow the senior to speak for himself or herself, or is reluctant to leave the senior’s side during conversations.
- The senior or individual acting on behalf of the senior seems to speak in a scripted manner when attempting to obtain a withdrawal, surrender or transfer.
- The senior shows an unusual degree of fear or submissiveness toward the individual.
- The senior expresses a fear of eviction from his or her home, or a fear of nursing home placement, if money is not given to a caregiver.
- A new caregiver, relative, or friend suddenly attempts to conduct financial transactions on behalf of the senior without proper documentation.
- The senior or individual acting on behalf of the senior requests a change of beneficiary, especially to the individual acting on behalf of the senior or to a family member of such individual.
- The senior’s financial management changes suddenly, such as changing of Power of Attorney to a different family member or a new individual.
- The senior lacks knowledge about his or her financial status or shows a sudden reluctance to discuss financial matters.

If you suspect or have concerns that financial exploitation may be occurring, please contact Global Atlantic’s Compliance Department at fraud@gafg.com.

Suitability

For requirements and guidance regarding the suitability and best interest for annuity transactions, please consult the [Forethought Financial Professional Suitability and Best Interest Guide](#) as well as your own firm's Suitability and Best Interest requirements.

Tax Advice

Similar to the discussion in the Investment Advice section of this Guide, producers are frequently involved in conversations with customers in which questions about taxation arise. There is a broad range of contexts in which such issues are discussed. Some pose more risk than others in terms of the likelihood that the producer might be considered to be providing “tax advice” without the requisite qualifications, background, and experience to do so. An example of this exposure can be found by examining your professional liability (E&O) policy. A typical insurance producer’s professional liability policy excludes tax advice from coverage, but the policy generally will honor claims brought against a producer for statements about taxation that are “incidental” to the sale of a covered product.

Global Atlantic frequently includes the following standard disclosure language, or similar wording, in many of its consumer-directed marketing materials and many of the advanced markets presentations and tools provided for its financial professionals:

“The information that follows is intended to provide only a general discussion of the concepts contained herein and in no way should be construed as tax, investment or legal advice. The information provided is believed to be accurate as of the date presented. Some of the concepts discussed can be complex, and for each individual will require consultation with an attorney, accountant or tax advisor as part of the planning process.”

At the same time, we recognize the discussions you have with your clients may include information about the basic tax characteristics of life insurance and annuities. As an insurance professional, you should be aware of the basic tax aspects of the products you sell and be prepared to answer the customer’s questions in that regard. For example, you know the death proceeds of a life insurance policy are generally income tax-free and the accumulated value of an annuity contract grows income tax deferred. There is nothing wrong with discussing these fundamental aspects of life insurance and annuity taxation with your customers. However, if you are uncertain about any of the basics in any of your interactions with customers, please contact Global Atlantic’s Advanced Markets Department for confirmation.

You also have an obligation to develop a fundamental understanding of some of the basic “tax traps” associated with planning that involves life insurance or annuity products. Certain ownership and beneficiary arrangements may have unanticipated tax consequences. For example, a life insurance policy owned by an individual other than the insured may result in unintended federal gift taxes upon the death of the insured, unless the owner has also designated him/herself as the beneficiary of the policy. Another example of a tax fundamental is that “incidents of ownership” held by the insured will likely lead to inclusion of the death proceeds of the policy in the insured’s taxable estate. Exposing the death proceeds of a life insurance policy to federal estate taxes is an undesirable result. Another example is that a deferred annuity owned by a “non-natural person” (e.g., a corporation or certain types of trusts) will not enjoy tax deferral on the growth in the contract’s accumulation value.

General knowledge of the rules within Internal Revenue Code Section 1035 on allowable tax-free exchanges of policies is another common area of discussion. An insurance professional should know these tax fundamentals and be prepared to discuss them. **But that same insurance professional should make it clear to the client that he/she is providing information about incidental tax matters, not dispensing tax advice.**

As a financial professional, you may perceive your role as one of providing broad assistance to your customers to enhance their financial well-being. Depending upon your licenses and designations, this may extend beyond insurance product and planning recommendations to broader financial planning or advice. Even when an agent is insurance-licensed only, the agent may often find him/herself in the position of responding to various questions from a prospect or client about a wide range of financial matters. Many agents establish relationships with their clients in which they become both a trusted professional and a personal confidant. Frequently, a seasoned financial professional may know more about a client's financial needs and objectives, even their personal hopes and aspirations, than the client's attorney, accountant or other professional. You are in a unique position to positively impact your client's future and that of the client's family.

On the other hand, it is also important to recognize that there is considerable risk associated with exceeding your expertise. Legal matters, legal documents and legal advice should be provided by licensed attorneys. Tax and accounting advice should be provided by tax attorneys and accountants.

Unauthorized Practice of Law

At Global Atlantic, we encourage our producers to build relationships and work with other professionals. Developing a relationship with lawyers, CPAs, trust officers and other financial services professionals can enhance the producer's professional growth and help provide a comprehensive approach to meeting a customer's financial and insurance needs and objectives. Frequently, customers look to their producers for information and/or advice regarding various financial, tax and/or estate planning matters. One of the key challenges posed to any insurance professional is how to provide general information within one's base of knowledge and experience, without "crossing the line" and providing professional advice or services for which the producer does not have the required professional license or the requisite training. This is particularly problematic regarding legal matters that are often intertwined with the placement of insurance products, as well as the planning context in which that occurs.

The unauthorized practice of law generally occurs when a person who is not an attorney gives legal advice or drafts legal documents that impact a person's rights. For example, this could arise in a situation where you may be discussing a person's need for life insurance as part of an estate plan. To avoid a claim of unauthorized practice of law, you should keep your conversation general in nature, and ALWAYS state that you are not a lawyer and that any such advice can only be given by a licensed attorney.

Below are examples of situations that could be construed to be the unauthorized practice of law:

- Advising a customer that certain legal documents (without the advice of counsel), such as a living trust or power of attorney, are appropriate legal instruments for his/her estate planning needs. Example: "Based on your situation, you need to have a revocable living trust."

- Giving advice as to a customer’s legal rights and responsibilities. Example: “None of these assets that you currently have are protected from lawsuits” or “the Medicaid Office will seize them if they can.”
- Providing advice as to the selection, drafting, or completion of legal documents that affect the legal rights of an entity or person. Example: “Every person your age needs a living will, you included.”
- Explaining legal principles of wills and trusts to clients in a manner that directs them to execute specific documents or to purchase specific legal services. Example: “A will is a public document that the court and anyone else will see when you die, and a living trust is a private document that works the same way. You don’t want the whole world to see how you wanted your estate distributed, do you? Therefore, a living trust is the preferred choice for people who like privacy.”
- Advising a customer about the sufficiency of estate planning documents. Example: “Based on my review of your living trust and power of attorney, this all looks outdated and was done before laws changed, and I think you need to make some amendments.”
- Entering into an agreement or other understanding with and/or providing consideration to an attorney to recommend the purchase of insurance products to your customers. Example: Sending a customer to a lawyer whom you pay to create estate planning documents, including the situation where that lawyer also recommends the purchase of insurance products for which you are the agent, or soliciting legal work for an attorney where the attorney recommends you as the insurance agent of choice.
- Stating or implying that you are affiliated with or acting in connection with a lawyer with whom the customer is obtaining legal advice. Example: Suggesting that you ‘work with’ or that you are a financial services professional who is also part of an attorney’s law firm.
- The practice of engaging in such acts as “fee splitting” or “commission splitting,” or the act of sharing fees with professional colleagues in return for a systematic stream of referrals. Many, if not all, states view this quid-pro-quo approach as an unethical and illegal trade practice.

Living Trust Mills

In addition to the preparation of legal documents and/or providing legal or tax advice, a practice that likely meets the definition of the unauthorized practice of law, and also constitutes an unfair trade practice in most jurisdictions, is the operation of a so-called “living trust mill.” A living trust mill has a variety of definitions, but generally involves a marketing practice by an agent, sometimes working in conjunction with a licensed attorney, who uses the guise of setting up or updating a living trust to entice potential customers to provide financial information when the sole or primary purpose of the contact is to solicit the sale of insurance products. This practice is unacceptable to Global Atlantic.

In recent years, marketing practices involving living trust mills or similar constructs have led to problems in several states, and resulted in significant fines, penalties, license revocations and litigation. California, for example, describes a living trust mill as “an unlawful marketing scheme designed to accomplish the sale of annuities that is principally used in the solicitation of senior citizens.” Therefore, this practice contains elements of pretext selling as described earlier in the section on Sales Practices.

Typically, agents represent themselves as “estate planners” or “trust preparers” and sometimes are working in conjunction with an attorney, a group of attorneys, a legal document preparation service provider or a prepaid legal services firm. Usually, there is no indication to the consumer of the actual business of the sales representative or the true purpose of the solicitation. The use of seminars purported to educate attendees on the advantages of living trusts or other estate planning devices is also a frequent characteristic of this form of marketing. This practice is unacceptable to Global Atlantic.

In addition, state bars and state attorneys general in a number of jurisdictions have concluded that these types of marketing approaches may constitute a deceptive trade practice and the unauthorized practice of law. In several instances, agents, marketing organizations and insurance companies have been fined, enjoined, forced to make restitution and lost their authority to conduct business.

Unauthorized Practice of Law Reminders

In order to ensure that you do not participate in the unauthorized practice of law, you should refrain from:

- Offering any legal advice and/or preparing any legal instruments
- Holding yourself out to be an expert in estate planning
- Providing legal advice to convince customers that certain legal documents, such as a living trust or power of attorney, would be good options for their estate planning needs
- Providing advice as to legal rights and responsibilities
- Providing advice as to the selection, drafting, or completion of legal documents that affect the legal rights of an entity or person
- Inducing customers to make decisions about the disposition of their estate based on information about a state’s probate system
- Explaining legal principles of wills and trusts to customers in a manner that directs the customers to choose certain estate planning documents
- Providing recommendations based on the sufficiency or propriety of estate planning documents
- Referring to yourself as an “estate planner,” “trust specialist” or a similar description
- Advising customers that life insurance and annuities are exempt from judgment creditors or making presumptive statements in that regard. While this may be true in some jurisdictions, state exemption statutes are complex, vary widely from state to state, and often require legal interpretation

About Global Atlantic

Global Atlantic Financial Group is a leading insurance company meeting the retirement and life insurance needs of individuals and institutions. With a strong financial foundation and risk and investment management expertise, the company delivers tailored solutions to create more secure financial futures. The company's performance has been driven by its culture and core values focused on integrity, teamwork, and the importance of building long-term client relationships. Global Atlantic is a majority-owned subsidiary of KKR, a leading global investment firm. Through its relationship, the company leverages KKR's investment capabilities, scale and access to capital markets to enhance the value it offers clients. KKR's parent company is KKR & Co. Inc. (NYSE: KKR).

Guarantees are based on the claims-paying ability of Forethought Life Insurance Company and assume compliance with the product's benefit rules, as applicable.

Annuities are issued by Forethought Life Insurance Company, 10 West Market Street, Suite 2300, Indianapolis, Indiana. Variable annuities are underwritten and distributed by Global Atlantic Distributors, LLC.

Registered products are distributed and underwritten by Global Atlantic Distributors, LLC.

Life insurance is issued by Accordia Life and Annuity Company, 215 10th St. Des Moines, Iowa and preneed life insurance is issued by Forethought Life Insurance Company.

Global Atlantic Financial Group (Global Atlantic) is the marketing name for The Global Atlantic Financial Group LLC and its subsidiaries, including Forethought Life Insurance Company and Accordia Life and Annuity Company. Each subsidiary is responsible for its own financial and contractual obligations. These subsidiaries are not authorized to do business in New York.

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