

# Life & Annuity Compliance Manual

## NAVIGATING THE SALE OF FIXED LIFE AND ANNUITY INSURANCE PRODUCTS

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National Life Group® is a trade name of National Life Insurance Company, Montpelier, VT, Life Insurance Company of the Southwest (LSW), Addison, TX and their affiliates. Each company of National Life Group is solely responsible for its own financial condition and contractual obligations. LSW is not an authorized insurer in New York and does not conduct insurance business in New York.

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**For Agent Use Only – Not For Use With The Public**

# Introduction – Selling Appropriately, Legally, & Ethically ("SALE")

At National Life Group ("NLG" or the "Company"), our vision is to bring peace of mind to everyone we touch. We do that by keeping our promises. As agents or agencies affiliated with our Company, we rely on you uphold this vision when you represent NLG and its products.

We want you to be successful when selling our products and servicing our customers. The NLG Life & Annuity Compliance Manual (the "Manual") is designed to be your guide in navigating legal and regulatory requirements and to provide you with the tools you need to be successful on your NLG SALE journey.

While your success is a priority for NLG, the Company takes legal and regulatory compliance seriously. Failure to abide by all applicable laws, regulations, and Company policies may result in disciplinary action, up to and including termination of your contract and appointments with NLG.

## Selling

Our business is about protecting families and businesses from financial loss and ensuring clients have savings for retirement or other major life events.

The environment in which we work has changed dramatically over the last several decades. Better educated consumers, the proliferation of new and increasingly complex products, increased competition and increased scrutiny by regulatory bodies are impacting all of us. Seemingly inconsequential actions may have large consequences. The best defense is to know the boundaries of appropriate conduct and your authority. NLG is committed to complying with applicable laws and regulatory requirements for our industry, and the standards of conduct presented throughout this Manual are for the benefit of your clients, you, and the Company. NLG Life & Annuity Compliance is your partner to make sure you are selling appropriately, legally, and ethically.

## Appropriately

Appropriate selling means you recommend products and services that are suitable for a given prospect's or client's needs, financial objectives, ability to pay, and risk tolerance.

## Legally

Selling legally means you strictly follow all the laws and regulations with which you must comply.

## Ethically

Selling ethically goes beyond laws and regulations. It concerns "doing what is right". You can follow the letter of the law and still be unethical. One of the best ways to be sure you are ethical is to follow the Golden Rule – ask yourself, "If I were in a similar situation, would I do what I am recommending my prospect or client do?"

## How to Use the Manual

This Manual was written to familiarize you with NLG policies and procedures, laws, and regulations regarding high standards of market conduct, and how your role with policyowners goes beyond the law. The “Tips for Success” offered throughout are either required by state or federal regulation or are universally recognized as a “Best Practice” in the financial services industry. We have also offered lists of “Prohibited Acts” which are activities regulatory authorities and the Company consider to be illegal, unethical, or against Company policy. The lists provided are not intended to be all inclusive, and you are ultimately responsible for ensuring your compliance with all applicable laws and regulations.

You must review this Manual in detail because compliance with its contents is required under your NLG Field Contract. Non-compliance with this Manual or any applicable laws or regulations may result in disciplinary action up to, and including:

- Training or re-training.
- Additional monitoring of your sales.
- Adjustment of your commissions or other compensation.
- Issuance of a verbal or written disciplinary warning to you.
- Assessing a monetary fine.
- Termination of your contract appointment with NLG, up to and including, termination for cause.

This Manual is informational and does not set forth all of the Company’s policies and procedures. Sales practices are periodically reviewed to identify trends or patterns of behavior which may need to be addressed. Any mention of the law or legal requirements reflect the Company’s current understanding and is not intended as legal advice. If you have questions of a legal nature, you are encouraged to contact an attorney. This Manual will be updated and made available for your use. Applicable laws and regulations vary from state to state, and this Manual is not intended to be exhaustive – you should be familiar with the requirements of the state(s) in which you are appointed to solicit business.

**Registered Representative Alert:** If you are also a Registered Representative, this Manual is not intended to replace, supersede, or contradict any written supervisory procedures, compliance manual, or guidelines provided to you by your broker/dealer. In addition to this Manual, you should also follow the rules set forth by your broker/dealer.

### National Life Group Trade Name

NLG is a trade name of National Life Insurance Company (“NLIC”), Life Insurance Company of the Southwest (“LSW”), and their affiliates. References to NLG in this manual should be understood to refer to NLIC, LSW, or their affiliates as appropriate.

### Life & Annuity Compliance Contact Information

We are here to assist you with the appropriate, legal, and ethical sale of NLG’s fixed life and annuity insurance products. Our contact information is:

#### Phone Numbers:

- Life & Annuity Compliance Department (All Teams): (802) 229-3129
- EthicsLine: (833) 254-4249 or via website (<https://nationallife.ethicspoint.com>)

**Fax Number:** (802) 229-3123

#### Email Addresses:

- Advertising Guidance: [adreview@nationallife.com](mailto:adreview@nationallife.com)
- Complaints: [complaints@nationallife.com](mailto:complaints@nationallife.com)
- Fraud: [SIU@nationallife.com](mailto:SIU@nationallife.com)
- General: [NLGCompliance@nationallife.com](mailto:NLGCompliance@nationallife.com)

**The most current information can be found on the Agent Portal on the National Life Group website [www.nationallife.com](http://www.nationallife.com)**

# Agent Expectations

## Conflicts of Interest

NLG has a long and honored tradition of requiring and exhibiting the highest standards of business ethics. To continue that tradition and strengthen those standards, it is necessary for everyone associated with the Company to carry out their responsibilities with integrity, forthrightness, and professionalism. This includes you as an appointed agent with NLG. A conflict of interest may occur when your personal or other business interests or activities affect your ability to make objective decisions on behalf of your client or NLG. You must avoid situations that give rise to actual or potential conflicts and situations that create an appearance of a conflict.

Occasionally, clients may ask you to do something that places you in a conflict of interest because you might personally benefit from carrying out that request. For instance, if you are asked to serve as a Trustee for a client, you will now also need to meet fiduciary obligations to the trust beneficiaries. Trustees are not allowed to “self-deal” by acting in their own best interest in a transaction, rather than in the best interest of their client. As an agent, you are paid commissions for selling life insurance policies and annuity contracts. Serving in any capacity above and beyond that may be viewed as personally benefiting from a situation.

Avoiding conflicts of interest also includes using or recommending family members, business associates, or other parties to do what you are prohibited from doing.

If you find yourself in a potential conflict of interest situation, discuss the matter with your manager, your Field Leader, or with Life & Annuity Compliance. Depending on the circumstances, a solution may be found to avoid the conflict.

### Prohibited Acts

NLG expressly prohibits the following actions:

- Serving in any legal capacity for the insured/policyowner or beneficiary, except for a member of your immediate family. Examples of legal capacity include:
  - Trustee/Successor Trustee
  - Power of Attorney (i.e. Attorney-In-Fact or Successor Attorney-In-Fact)
  - Guardian/Conservator
  - Executor/Executrix
  - Director or Officer
  - Agent for Service of Process
- Providing tax or legal advice to NLG prospects or clients.
- Allowing a policyowner, other than your immediate family members, to name you as owner, assignee, or beneficiary on any policy.

## Fair Competition & Unfair Trade Practices

Engaging in fair and honest competition ensures your customers' best interests are met by getting the best possible products and services at the best possible price. Fair competition is governed by federal and state laws including antitrust and Unfair Trade Practice laws and state insurance regulations.

Fair Competition and Unfair Trade Practice laws are designed to preserve the competitive process and the free market. We compete by fairly and accurately emphasizing the merits of our products and services, not by disparaging competitors or their products, agents, or financial condition. State regulations prohibit these types of sales tactics and hold the Company, its employees, and its agents accountable. If you have any questions or witness possible violations of Fair Competition and Unfair Trade Practice laws, contact your Field Leader, your manager, or Life & Annuity Compliance.

### Unfair Trade Practices

As defined in the National Association of Insurance Commissioners ("NAIC") Unfair Trade Practices Model Act (Model 880), prohibited practices affecting agents include the following (please note, the following is not an exact quotation of the Model Act; certain statements have been edited for clarification to capture what is applicable for NLG business):

- **Misrepresentation & False Advertising of Insurance Policies** – Making, issuing, circulating, or causing to be made, issued or circulated any estimate, illustration, circular or statement, sales presentation, omission or comparison that:
  - Misrepresents the benefits, advantages, conditions, or terms of any policy; or
  - Misrepresents the dividends or share of the surplus to be received on any policy; or
  - Makes a false or misleading statement as to the dividends or share of surplus previously paid on any policy; or
  - Is misleading or is a misrepresentation as to the financial condition of any insurer, or as to the legal reserve system upon which any life insurer operates; or
  - Uses any name or title of any policy or class of policies misrepresenting the true nature thereof; or
- Is a misrepresentation, including any intentional misquote of a premium rate, for the purpose of inducing or tending to induce the purchase, lapse, forfeiture, exchange, conversion or surrender of any policy; or
- Is a misrepresentation for the purpose of effecting a pledge or assignment of or effecting a loan against any policy; or
- Misrepresents any policy as being shares of stock.
- **False Information & Advertising** – Making, publishing, disseminating, circulating or placing before the public, or causing, directly or indirectly to be made, published, disseminated, circulated, or placed before the public, in a newspaper, magazine or other publication, or in the form of a notice, circular, pamphlet, letter or poster, or over any radio or television station, or in any other way, an advertisement, announcement or statement containing any assertion, representation or statement with respect to the business of insurance or with respect to any insurer in the conduct of its insurance business, which is untrue, deceptive or misleading.
- **Defamation** – Making, publishing, disseminating, or circulating, directly or indirectly, or aiding, abetting, or encouraging the making, publishing, disseminating or circulating of any oral or written statement or any pamphlet, circular, article or literature which is false, or maliciously critical of or derogatory to the financial condition of any insurer, and which is calculated to injure such insurer.
- **Boycott, Coercion, & Intimidation** – Entering into any agreement to commit, or by any concerted action committing any act of boycott, coercion or intimidation resulting in or tending to result in unreasonable restraint of, or monopoly in, the business of insurance.

- **False Statements and Entries**

- Knowingly filing with any supervisory or other public official, or knowingly making, publishing, disseminating, circulating, or delivering to any person, or placing before the public, or knowingly causing directly or indirectly, any false material statement of fact as to the financial condition of an insurer.
- Knowingly making any false entry of a material fact in any book, report, or statement of any insurer or knowingly omitting to make a true entry of any material fact pertaining to the business of such insurer, or knowingly making any false material statement to any insurance department official.

- **Stock Operations & Advisory Board Contracts** –

Issuing or delivering agency company stock or other capital stock, or benefit certificates or shares in any corporation, or securities, or other contracts of any kind promising returns and profits as an inducement to purchase insurance.

- **Unfair Discrimination**

- Making or permitting any unfair discrimination between individuals of the same class and equal expectation of life in the rates charged for any life insurance policy or annuity or in the dividends, or other benefits payable thereon, or in any other of the terms and conditions of such policy.
- Refusing to insure, refusing to continue to insure, or limiting the amount of coverage available to an individual because of the sex, marital status, race, religion or national origin of the individual; however, this does not prohibit an insurer from taking marital status into account for the purpose of defining persons eligible for dependent benefits.

- **Rebates** – Refer to the Gifts & Rebating section within this Manual for additional guidance.

- **Misrepresentation in Insurance Applications**

- Making false or fraudulent statements or representations on, or relative to, an application for a policy, for the purpose of obtaining a fee, commission, money, or other benefit from any provider or individual person.

- **Unfair Financial Planning Practices** – The act of an agent:

- Holding themselves out, directly or indirectly, to the public as a “financial planner”, “investment adviser”, “consultant”, “financial counselor”, or any other specialist engaged in the business of giving financial planning or advice relating to investments, insurance, real estate, tax matters, or trust and estate matters, when such a person is engaged only in the sales of insurance policies. This does not preclude persons who hold some form of formal recognized financial planning or consultant certification or designation from using this certification or designation when they are only selling insurance policies. This does not permit persons to charge an additional fee for services that are customarily associated with the solicitation, negotiation, or servicing of policies.
- Engaging in the business of financial planning without disclosing to the client prior to the execution of the agreement, or solicitation of the sale of a product or service that:
  - He or she is also an insurance agent
  - A commission for the sale of an insurance product will be received in addition to a fee for financial planning if such is the case.
- Charging fees other than commissions for financial planning by an insurance agent, unless such fees are based on a written agreement, signed by the party to be charged in advance of the performance of the services under the agreement. A copy of the agreement must be provided to the party to be charged at the time the agreement is signed by the party.
  - The services for which the fee is to be charged must be specifically stated in the agreement.
  - The amount of the fee to be charged or how it will be determined or calculated must be specifically stated in the agreement.
  - The agreement must state the client is under no obligation to purchase any insurance product through the insurance agent or consultant.
  - The agent must retain a copy of the agreement for not less than three (3) years after completion of services and must provide a copy to a state insurance commissioner, if requested.

## Human Rights

NLG expects all agents appointed with us to conduct their business in a manner respecting the human rights and dignity of all. We do not tolerate abuse of human rights.

Respect for human dignity begins with our daily interactions with one another and with our customers, and includes promoting diversity, accommodating disabilities, and doing our part to protect the rights and dignity of everyone with whom we do business.

Inappropriate comments and offensive behavior will not be tolerated in any business interactions, regardless of the setting or parties involved, and may result in disciplinary action, up to and including termination.

## Tips for Success

- Stay true to NLG's vision, mission, and values
  - Our Vision – To bring peace of mind to everyone we touch.
  - Our Mission – Keeping our promises.
  - Our Values – Do good. Be good. Make good.
- Always act in the best interest of your clients and in accordance with their instructions.
- Tell your clients what they need to know to make an informed decision, not what you think they want to hear.
- Adhere to industry codes of ethics by conducting business with honesty and integrity – i.e., be inclusive, considerate, and respectful. Choose your words carefully.
- Make sure any comparisons you make are accurate, fair, and complete.
- Refrain from slander or speaking negatively about NLG, another NLG appointed agent, agency, client, employee, or policyowner.
- Adhere to all applicable laws and regulations and provide all disclosures as required by federal, state, or securities laws. This includes immediately disclosing to your prospect or client you are an insurance agent.
- Only use approved professional designations when representing NLG and our products.

## Prohibited Acts

In addition to the prohibited acts set forth above, the following actions also are expressly prohibited:

- Charging for services undertaken for or rendered to any applicant, policyowner, or beneficiary or assignee that may be considered as normal or customary duties of life insurance agents. Such services include, but are not limited to, explaining the terms of the policy, policy changes, claims, or similar services.
- Making false, deceptive, misleading, or disparaging statements about competitors, products, or companies, including comments about their marketing practices.

## Ethics & Reporting Ethics Violations

Ethical conduct is expected at all levels of NLG and within the Field. Each of us has a responsibility to help protect the reputation and integrity of NLG. Because our business is based largely on trust – through giving customers confidence NLG will deliver on the promises and commitments it makes – it is absolutely essential all your business practices are not only legally appropriate, but also responsible, ethical, and fair.

Insurance is a highly regulated industry, and you must be committed to making sure your actions comply with all laws and regulations that apply everywhere you do business. Certain acts can endanger the safety and/or reputation of the Company, its employees, its appointed agents, and its customers (i.e. harassment, drug and alcohol use, theft, and fraud).

NLG has a culture where honesty and integrity are valued. If you see or suspect illegal or unethical behavior, including possible violations of this Manual, or if you have a question about an ethics or compliance issue, you have several options:

- Discuss the issue with your Field Leader or manager.
- Contact Life & Annuity Compliance at (802) 229-3129 or email us at: [NLGCompliance@nationallife.com](mailto:NLGCompliance@nationallife.com).
- Contact the EthicsLine anonymously at (833) 254-4249 or via website: <https://nationallife.ethicspoint.com>

Every time you ask a question or raise a concern, you create an opportunity to improve how we conduct business. When you act and report questionable conduct, you are protecting yourself as well as NLG and its customers.

**Remember:** An issue cannot be addressed unless it is brought to someone's attention.

### How to Use the NLG Ethics Line

There may be certain situations where you do not feel comfortable speaking directly to your Field Leader, your manager, or to Life & Annuity Compliance. To make reporting in such situations as convenient as possible and anonymous, NLG has engaged the services of “EthicsLine”, a third-party organization operated by Global Compliance Services specializing in ethics-related monitoring and reporting.

The EthicsLine offers a confidential way to report possible violations of this Manual or any law, rule, or regulation. You may contact the EthicsLine 24 hours a day, 7 days a week. Third-party ethics and compliance specialists will transcribe your concerns and forward them to NLG for review and handling. You may choose to remain anonymous, and any information provided to the EthicsLine will be treated confidentially to the extent possible.

Users of the service will be asked for specific details concerning the situation that prompted the contact (such as dates, times, people involved, witnesses, locations, and other information needed for verification). EthicsLine will provide a case number should you wish to provide additional information later. This number identifies the case report only and not the person contacting EthicsLine.

If you wish to speak to someone at the Company, a name will be provided to you. EthicsLine will send the information to the NLG Chief Compliance Officer, Life & Annuity, within one working day of its receipt, and the concerns will be investigated.

### Zero Tolerance for Retaliation

NLG will not allow or tolerate retaliation for reporting possible violations in good faith or for participating in an investigation.

Reporting “in good faith” means you had reason to believe a violation existed and are sincere in your attempt to provide honest and accurate information, even if the investigation determines there was no violation.

### Tips for Success

- Always act in a professional and ethical manner. When faced with a difficult decision, it may help to ask yourself these questions, depending on your answer, or if you are uncertain, stop and ask for help:
  - Is it legal?
  - Is it ethical?
  - Will this conduct hurt my or NLG's clients or customers?
  - Would I feel comfortable describing this to my family? To the media?
  - Will this conduct hurt me or NLG in the long run?
  - Am I willing to be held accountable?
- Be familiar with the Company's products, information contained in this Manual, and NLG policies and procedures.
- Comply with all applicable federal and state laws and regulations.
- Stay true to NLG's vision, mission, and values
- Speak up and ask questions whenever you are unsure about how to apply NLG policies and procedures.
- Promptly report any suspected illegal or unethical behavior using the resources described in this section.
- Make sure no one who speaks up suffers retaliation.
- Keep in mind, pressures or demands due to business conditions are never an excuse for violating the law, this Manual, or any NLG policy or procedure.

# Advertising

# Advertising & Sales Material

NLG approved advertising and sales materials are an important tool for you to use to help your prospects understand NLG and the products and services we have available. NLG is committed to providing advertising and sales materials that are clear, consistent, and accurately disclose relevant information. Whatever advertising medium you use, Life & Annuity Compliance is here to help guide you in creating and utilizing content that meets these standards.

Advertising requirements are set by state and federal regulatory authorities to protect consumers and, because of this, are under constant scrutiny. These regulations vary by state, and it is important to know what is required in the state(s) in which you are licensed to do business.

To assist you, NLG has published **Advertising Guidelines for Agents and Registered Representatives** on the Agent Portal of the NLG website. These guidelines are designed to assist you in the preparation of materials that accurately and appropriately represent NLG, our affiliate companies, our agents, and our products and services. These guidelines provide detail on such topics as Digital Tools, Designations, Email Marketing, Foreign Language Sales Materials, Outside Business Activities, Doing Business As (“DBAs”), Selling to Seniors, Social Networking Sites, Telemarketing, Titles, Vanity Email Addresses, Websites, and more.

## Definition of Advertising

The definition of “advertising” is broader than most people believe. Advertising is any material designed to create public interest in NLG (or any affiliated company), our products, or in you as an agent/Registered Representative/Investment Adviser Representative, or any material designed to induce the public to inquire about or purchase a product or service. This may include, but is not limited to:

- Prepared sales talks and presentations, including seminars and live webinars.
- Videos and recorded webinars.
- Social media, such as LinkedIn, Facebook, Twitter, Instagram, etc.
- Print Ads and other printed or published materials, including form letters and direct mail.
- Business cards and letterhead.

- Websites, website listings, or online presences of any type for an agency, individual or DBA entity.
- Newspaper, radio, television, computer, audio recordings, and billboard ads.
- Descriptive literature, including brochures, circulars, and leaflets.
- Agent training material.
- Telephone solicitations and sales scripts.
- Fact finders, illustrations, and proposals.
- Newsletters, press releases, articles, and reprints.
- Emails
  - For unsolicited sales or recruiting.
  - Email signatures if they meet the criteria for needing advertising review – for additional guidance refer to the Do Not Contact Rules – Federal & State section of this Manual and the **Instructions for using Email for Marketing or Recruiting Purposes** document on the Agent Portal of the NLG website.

Advertising is intended to be a clear, visible representation of NLG and you to the public. Prospects, clients, competitors, and even regulators may be watching what you do and are looking to see if it is misleading or does not comply with regulatory requirements. Failure to comply with NLG policies and procedures may result in disciplinary action, up to and including termination.

### What Should be Submitted?

A good rule to follow is to assume anything you produce, present, or use to attract clients, regardless of whether it is delivered verbally, in print, or electronically (email, web, etc.), is considered advertising. The Company has created and pre-approved content ready for your use! We encourage you to use this material as it will save you time. You will find pre-approved content available in the Agent Portal on the NLG website under the Marketing tab, the CoBrand on Demand marketing system, through HearSay® if you are an Affiliated agent, and on our corporate social media accounts.

If you decide to create your own content, prior approval from Life & Annuity Compliance is needed for the following:

- Advertising mentioning an NLG company, product, or information specific to us (i.e. our critical injury ABR, ratings, features, history, images, logos, etc.).
- Advertising used to sell retirement products in one of our K-12 403(b)/457(b) plans, even if NLG is not mentioned.
- Advertising in which the intent is to specifically create interest in NLG products and features, even if NLG is not mentioned.

NLG is required by regulatory authorities to maintain files of all advertising used by the Company and its agents. These files are always open to regulatory inspection. You should also retain a copy of all the approvals you receive in your file.

**Registered Representative Alert:** Registered Representatives associated with FINRA member broker/dealer firms should follow their broker/dealer's written supervisory procedures, compliance manual, or guidelines.

### Multi-Cultural/Foreign Language Communications

The Company is committed to growing its presence in multicultural markets. However, there are several things to keep in mind before you decide to create multicultural marketing materials and communications:

**Important:** All NLG policies and forms are only available in English

- All applications and policy forms must be completed in English and the client must fully understand all such material; English language signatures or printed names must be provided.
- Any material and/or communication must not create a false expectation for the prospect or client that NLG products or contracts are available in their language.
- You may not solicit or use marketing materials or communications with individuals who are not physically located within the U.S. or who are located in state(s) in which you are not licensed to conduct business.
- All NLG and regulatory advertising requirements must be met.

### Marketing Materials which may be Translated

- Generic sales material for fixed life insurance and annuities.
- Stationery, bios, and other similar agent materials.

### Marketing Material which may not be Translated

- Product specific fixed life and annuity or proprietary feature (i.e. life and annuity policy names and proprietary features such as the NLG critical injury ABR, LIBR, GLIR, etc.) sales material. As indicated above, NLG applications, illustrations, policies, and other forms are only in English and are not provided in any foreign language.
- Securities-related sales material. NLG does not provide foreign language prospectuses, investment applications, disclosure documents, etc.

### Foreign Language Translation & Certification Process

Refer to the “Process for Creating Multi-Cultural Marketing Materials” in the **Advertising Guidelines for Agents and Registered Representatives** on the Agent Portal of the NLG website for additional information, including when an approved translation service is required.

### Advertising Submission

Please refer to the **Advertising Guidelines for Agents and Registered Representatives** to determine if your piece needs to be submitted to Life & Annuity Compliance for review and approval. These guidelines are located on the Agent Portal of the NLG website. If your advertising materials need to be submitted to Life & Annuity Compliance, the materials will need to be accompanied by a fully completed **Compliance Review Request Form**. This form is also available on the Agent Portal of the NLG website.

Where to submit your advertising for review depends upon whether you are an Affiliated Agent or an Independent Agent.

### Affiliated Agents

All Affiliated Agents must:

- Complete the Compliance Review Request Form.
- Send all material for review, including the completed Compliance Review Request Form, to their agency’s compliance, marketing or office manager (if applicable), who will submit the piece to Life & Annuity Compliance.

Life & Annuity Compliance will either approve your copy “as is” or may request edits be made and the piece resubmitted.

### Independent Agents

All independent agents must:

- Complete the Compliance Review Request Form

Submit all material for review, including the fully completed Compliance Review Request Form, directly to Life & Annuity Compliance at:  
AdReview@NationalLife.com

Material submitted for review **may not** be used with the public until you have received written approval from Life & Annuity Compliance.

### Tips for Success

Consistency is key. When you focus on giving people consistent, accurate information, your advertising plans will be successful.

- Utilize the advertising and marketing services available on the Agent Portal of the NLG website to help you navigate the requirements.
- Make sure you have a system (files, etc.) set up for retaining copies of all your advertising submissions and approvals.
- Pay attention to the titles and designations you use and the way you use them. You do not want to portray yourself in a way that is misleading to a customer. NLG maintains a listing of approved designations on the Agent Portal of the NLG website.
- Do not alter approved materials. Any alterations will require a new review.
- Be tasteful.
- Keep your materials simple, fair, and balanced – avoid over promising and include the risks as well as the benefits of a particular product or service.
- Accurately disclose guaranteed and non-guaranteed product features.
- Think about your audience. For instance, when working with a prospect who speaks a foreign language, be aware of potential language barriers and differing interpretations.

### Prohibited Acts for All Appointed Agents

The following actions are expressly prohibited:

- Affixing stamps, labels, or editing in any manner, policies, policy envelopes, or other NLG material in such a way to obliterate or alter in any way the printed material thereon.
- Advertising or publicizing the Company's name, image, products, or services by using them in any manner without the prior written approval of Life & Annuity Compliance.
- Using a professional designation that has not been approved by Life & Annuity Compliance. See Approved Designations on the Agent Portal of the NLG website for additional information.
- Misrepresenting either verbally or on any letterhead, business card, or other form of correspondence, your degree of training, schooling, or membership in any association, club, or other organization.
- Using NLG, NLIC, or LSW as part of a corporate name, email address, or website URL/address.

## Social Media & Networking Sites

Social media and other networking sites are places where people can interact by creating, sharing, and/or exchanging information and ideas in virtual communities and networks. These sites offer a way to simultaneously connect with many people, rather than one at a time. If employed appropriately, social media may be the right advertising tool for you to use to reach more prospects.

If you decide to use social media for business purposes, it may require review and approval of profiles, content, monitoring, and retention to satisfy regulatory and supervisory requirements. The Company's guidelines for social media use are contained in the **National Life Group Social Media Compliance and Advertising Policy** (the "Policy") and the **National Life Group Social Media Playbook** (the "Playbook") on the Agent Portal of the NLG website.

There is a separate Policy for Registered Representatives and Investment Adviser Representatives associated with ESI and non-Registered Affiliated and Independent Agents. The requirements in each document are different and are labelled accordingly so you can reference the correct Policy. It is recommended you frequently refer to the Policy specific to your appointment with NLG to keep on top of the latest platforms available and the requirements for their use as these technologies rapidly change.

Currently, the **only** social media sites approved for business use are LinkedIn (Profile and Company), Facebook Business, Instagram Business, Twitter, and YouTube pages. There is one limited exception:

- Independent agents and non-Registered Affiliated agents may post/share agency meeting notices on WeChat **in English only**.

Other social media sites including, but not limited to WhatsApp, WeChat (with the limited exception previously noted), Alignable, interactive blogs, or any other site offering interactive functionality, are not approved for NLG business and may not be used to post or share any content discussing NLG, our companies, products, or product features.

**Alert:** Any platforms you use for either personal or business purposes have you agree to their Terms of Service, which detail how the information you post is protected, how they may use your information, what they will have access to, and how secure the site is. Think before you agree to the terms to help protect yourself and your clients.

### Personal Social Media

While personal social media sites are not prohibited, you may not use them for business purposes. It is your responsibility to adhere to the social media policies and procedures as required by your contractual agreement with the Company.

As a reminder, all your social media posts and comments (whether on a personal or business social media site) reflect on you and your business. Consumers may not be able to differentiate between your personal and business-related social media activity. Be thoughtful about your postings and audiences, and be honest about your identity. Do not post anything you would not want to see on the national news. Please be aware, NLG may take disciplinary action against you, up to and including termination, if, in NLG's sole judgment, your social media posts and comments reflect negatively on you or NLG.

If you see an online comment about NLG you believe is wrong, do not respond. Instead, contact Life & Annuity Compliance so appropriate steps may be taken.

### Hearsay Social® - Affiliated Channel Only

The Company must adhere to regulatory requirements, and in the case of our broker/dealer, ESI, this includes establishing and maintaining books and records.

One of the books and records requirements is having the ability to journal individuals associated with the firm. When it comes to social media, NLG contracted with a third party, Hearsay Social®, to help ensure our regulatory obligations are met.

Hearsay Social® is the only authorized social media management tool provided by NLG, and it enables:

- Electronic submission and review of changes to social media profiles.
- Electronic submission and review of social media posts.
- A library with pre-approved content that can be scheduled out in advance.

Refer to the Playbook on the Agent Portal of the NLG website for further guidance on the Hearsay Social® tool.

### Registered Representatives & Investment Adviser Representatives of ESI

All Registered Representatives and Investment Adviser Representatives of ESI who maintain social networking sites for business purposes must establish and maintain an account within the Hearsay Social® tool used by the Company.

### Non-Registered Affiliated Agents

As a service to non-registered Affiliated agents, NLG provides access to Hearsay Social® and its library of marketing materials at no cost to you. If you decide to utilize Hearsay Social®, your social media sites will need to be linked in the tool and they require prior approval from Life & Annuity Compliance before you use them. If you do not wish to use Hearsay Social®, and you do not meet certain criteria as outlined in the Playbook and the Policy, you will not need to submit your business-use social media sites unless you reference any products, services, or features unique to NLG.

### Tips for Success

- Be careful what you post on social media. Your posts and comments are a personal reflection on you and your business. Protect your personal brand. Before you post, ask yourself:
  - Do I want my clients to see this?
  - Does this post portray me in a negative or inflammatory way?
- Focus on content that emphasizes your experience, expertise, and interests.
- Consider sharing relevant news articles and other content from established national publications and local outlets.
- Social media activism should be a constant consideration – if people do not like what they see, they will act by sharing with their network and/or reporting you to NLG.
- Share NLG social media content – this content has already been created and pre-approved, which saves you time!
  - Share from NLG corporate social sites – Refer to the **How to Connect with National Life Group Corporate Accounts** on the Agent Portal of the NLG website for additional guidance.
  - Share from NLG Do Good social sites:
    - <https://www.linkedin.com/company/do-good-be-good-make-good>
    - <https://www.facebook.com/pg/DogoodBegoodMakegood>
    - <https://twitter.com/DoBeMakegood>
    - <https://www.instagram.com/dogood.begood.makegood/>

### Independent & Non-Registered Affiliated Agents Only

Independent and non-Registered agents may take the following actions without pre-approval:

- Keep comments generic, do not mention NLG or its products or proprietary rider(s). Refer to the Policy for additional guidance.
- If posting a photo or video, obtain permission from everyone who is represented.

**Registered Representative Alert:** Registered Representatives associated with FINRA member broker/dealers should follow their broker/dealer's written supervisory procedures, compliance manual, or guidelines. Registered Representatives with ESI must use Hearsay Social®.

### Prohibited Acts for All Appointed Agents

The following actions are expressly prohibited:

- Using personal social media accounts for business purposes (WhatsApp, etc.).
- Posting criticisms of NLG or other agents, agencies, companies, or products.
- Posting content that may be viewed as malicious, obscene, harassing, defamatory, or discriminatory.

# Making the Sale

# Licensing, Appointments, & Terminations

It is important to be knowledgeable about the products you sell. It helps you provide peace of mind to everyone you touch. A key element of acquiring this knowledge is the agent licensing process; however, getting licensed is just one stop along the way. Once you are appropriately licensed, you must ensure your license stays active and you remain in good standing.

## Licensure

Before you solicit an application from anyone, you must be properly licensed as an insurance agent in the state(s) in which you are soliciting. The Company requires you have an active resident license to contract. You also must acquire a license in every other state in which you intend to solicit prior to doing so. Most states require you have a valid resident license before issuing a non-resident license. There may be reciprocity rules in place which exempt you from having to take an examination in every state where you apply for a license.

Once you are appropriately licensed, keep track of your license renewal date(s). Remember, this will likely be a different date in each state. It is critical to your ability to continue to solicit that you renew your license in a timely manner. While most states will send you a renewal notice well in advance of the expiration date, it is still your responsibility to renew. If your license in a particular state expires, you may not solicit business in that state until your license is once again active.

## Agent vs. Broker in New York

New York primarily issues two types of insurance producer licenses – “agent” and “broker.” National Life Insurance Company (“NLIC”) **does not** accept applications from life insurance brokers. You must be licensed and appointed as a life insurance agent to solicit applications on behalf of NLIC. Life Insurance Company of the Southwest (“LSW”) does not do business in New York.

## Definition of an Agent

Producers licensed as life insurance agents solicit sales on behalf of an insurer. They are typically paid commission by insurers for these sales, and they must be appointed with the insurers on behalf of which they solicit sales.

## Definition of a Broker

Producers licensed as life insurance brokers solicit sales on behalf of a consumer. They are typically paid commission or other compensation directly by a consumer for placing insurance with an insurer, and they do not typically become appointed by any insurer or have any sort of field agreement with any insurer.

## Appointment

Once you are appropriately licensed, you will need to become appointed to solicit business on behalf of an insurance company—i.e., NLIC and/or LSW. An appointment notifies the state you can act as an agent of an insurer. You will need separate appointments for NLIC and LSW if you wish to solicit business on behalf of both companies. The appointment is submitted by the insurer directly to the state and is typically valid either for as long as you are licensed, until your appointment is terminated, or for a set period which can be renewed by NLG. If you have any questions about agent appointments, please contact [Contracting@nationallife.com](mailto:Contracting@nationallife.com).

### Errors and Omission (“E&O”) Coverage

To protect yourself against claims involving your professional services, it is a good business practice to maintain professional E&O coverage. As provided in your agent contract, all agents are required to acquire and maintain E&O coverage and, if requested, you must provide the Company with evidence of such coverage.

NLG requires all full-time Affiliated agents (including Senior Agents but not full-time agents in its Pre-Financed program) and all ESI Registered Representatives to purchase E&O coverage through NLG’s sponsored program. Coverage for Independent agents is also available through NLG’s sponsored program. If you have any questions about this requirement for Affiliated agents or the sponsored program, please call NLG’s insurance broker, CalSurance, at (866) 226-9308.

For your own protection, you should promptly report any claim made against you to your E&O carrier. This includes, but is not limited to, any consumer complaint, lawsuit, or regulatory action that is brought against you.

### Continuing Education

As with many professions requiring licensure, continuing education is a requirement in many states to maintain your insurance license. States often require you to complete a certain number of hours of continuing education over the course of your licensure period for you to be allowed to renew your license for the next period. Pay close attention to the continuing education requirements applicable in the states in which you are licensed.

Find courses that satisfy the continuing education requirements of multiple states to minimize duplicative work. Remember, failure to complete the necessary continuing education by the deadline imposed by the state could result in the suspension or revocation of your license. When you take a continuing education course, make sure you keep the certificate of completion.

The Company also requires you to regularly complete anti-money laundering training to maintain your good standing and appointment with the Company.

### Violent Crime Control & Law Enforcement Act of 1994

On September 13, 1994, President Clinton signed the omnibus anti-crime bill titled the “Violent Crime Control and Law Enforcement Act of 1994”, Public Law 103-322, H.R. 3355 (the “Act”). The Act included Federal criminal and civil enforcement provisions aimed directly at white-collar and other insurance fraud.

The insurance fraud provisions of the Act are contained within Section 1033 of Title 18 of the United States Code captioned “Crimes By and Affecting Persons Engaged in the Business of Insurance Whose Activities Affect Interstate Commerce.”

**Section 1033(e)(1)(A)** makes it a felony crime for a person to engage or participate in the business of insurance if that person has ever been convicted of a State or Federal felony crime involving dishonesty or a breach of trust (or of a crime under 18 U.S.C. Section 1033). The purpose of this subsection is to prohibit anyone convicted of a felony crime involving trustworthiness from conducting insurance activities.

**Section 1033(e)(1)(B)** makes it a felony crime for a company or person, who is engaged in the business of insurance to willfully permit the participation of a person who is prohibited under Section 1033(e)(1)(A). Thus, the statute makes it illegal for an insurer, reinsurer, its officers, directors, employees, agents and brokers (or others) to willfully employ a person who has been convicted of a felony crime involving dishonesty or a breach of trust.

As to what constitutes “insurance activities”, the statute includes “all acts necessary or incidental to” the writing of insurance or the reinsuring of risks and the “activities of persons who act as, or are, officers, directors, agents, or employees of insurers or who are other persons authorized to act on behalf of such persons.”

If an individual is a “prohibited person” under this Act, the only way for that person to engage or participate in the business of insurance is to obtain the “written consent” of the appropriate insurance commissioner.

Although the Act excludes certain felonies, you must notify the Company if either one of the following has occurred:

- At the time you started with the Company you neglected to report on your employment application or contracting paperwork you had been convicted of or plead guilty or no contest to any felony; or
- Since the time you started with the Company (whether through employment or appointment) you have been convicted of or plead guilty or no contest to any felony.

### If you have questions, please contact:

Contracts and Licensing, (800) 906-3310, option 3

Affiliated Agents:

NLFAContracting@NationalLifeGroup.com

Independent Agents:

Contracting@NationalLifeGroup.com.

### Termination

We hope your appointment with the Company is mutually beneficial. However, if at any time the Company finds it necessary to terminate your appointment, NLG reserves the right to do so. Typically, this termination is due to lack of production or career path alteration. Termination for standard reasons will be logged as “not for cause”, and your ability to reappoint with the Company generally is not impaired solely by this. However, in certain circumstances, the Company may terminate you “for cause”. The Company reserves the right to elevate your termination at any time from not for cause to for cause. In all circumstances, the Company reserves the right to decline to reappoint an agent who has been terminated, whether for cause or not for cause.

Remember, regardless of the circumstances of termination, it is your responsibility to help us protect consumers. You must return or destroy all consumer data you have on file and return any Company marketing materials to NLG. Also, please remember it is rarely in the consumer’s best interest for existing life insurance or annuities to be replaced. If you are terminated, NLG expects you will not do anything to cause or entice Company life insurance policies or annuity contracts to be unnecessarily replaced.

### Prohibited Acts

Agents appointed with NLIC and/or LSW are not authorized, directly or indirectly, to, and must not:

- Violate the law in any manner.
- Purport to represent the Company in any manner beyond the limited scope of your appointment.
- Fail to report to Life & Annuity Compliance any notice of legal action, complaint, or cease and desist order relating to your actions as an agent of NLIC or LSW.
- Fail to report a felony charge after being appointed with the Company.
- Place NLIC, LSW, or any of their affiliated companies under any legal obligation that is not within the authority granted by the Company in the Agent’s Contract, or elsewhere in writing.
- Bind the Company by any statement, promise, or representation.
- Provide advice regarding products for which you lack licensure (i.e., a life-only agent who is not registered to sell securities products may not comment or provide advice on a client’s investments or the stock market and may not suggest a client sell, surrender, or replace any investment to purchase a life insurance policy or annuity contract).
- Solicit personal or business loans from, or issue promissory notes to, a policyowner (excluding immediate family members). Refer to the Antifraud & SIU section of this Manual for a definition of immediate family members.
- Communicate to Company employees, customers, potential customers, or any other person or entity in a manner detrimental to the Company’s reputation or image as determined by NLG in its sole discretion.

## Do Not Contact Rules

As part of living up to our mutual promise to deliver peace of mind to everyone we touch, we also must respect the wishes of those who do not wish to be contacted by us. This is not only the right thing to do on behalf of every consumer or potential customer, it is also a regulatory requirement, violations of which may carry hefty monetary penalties for both you and NLG.

No one likes being interrupted by telemarketers or inundated by unsolicited marketing emails or text messages. Such contact cannot only be counterproductive – it may also be illegal. The Federal Trade Commission (“FTC”) and the Federal Communications Commission (“FCC”) have established regulations which provide consumers with a way of stopping unsolicited marketing phone calls, emails, and text messages, and these regulations largely apply to any for-profit business activity, including the financial services sector.

There also may be state- specific rules you must follow. Be sure you know the applicable rules and regulations for the state(s) in which you are licensed to do business before contacting any prospect or referral.

**Registered Representative Alert:** Registered Representatives associated with FINRA member broker/dealer firms may also have additional requirements to follow and should get guidance from their broker/dealer.

### Do Not Contact Rules & Do Not Call Lists

The Do Not Contact Rules apply to telephone calls, text messages, commercial emails, faxes, autodialers, and automated text messages. Information regarding the requirements of the FTC National Do Not Call Registry and the FCC Controlling the Assault of Non-Solicited Pornography and Marketing Act (“CAN-SPAM”) is available on the Agent Portal of the NLG website. This is also where you will find information about state Do Not Call lists and the NLG Do Not Call list where all phone numbers must be checked prior to calling or texting. If the regulations are not followed, the FTC/ FCC may impose significant fines for each separate violation identified.

### Telephone Calls

To help you check if any phone number you intend to call for marketing purposes is on one of the Do Not Call lists, NLG has provided a tool available on the Agent Portal for you to use. You must check all phone numbers using this tool before placing a telephone call.

Several states also have their own “Do Not Call Holidays”. On these dates, calling residents of that state for marketing purposes is prohibited. NLG will send notice prior to these dates via agent communications, but you are ultimately responsible for ensuring your compliance with these regulations. Refer to the **Telephone Solicitation and Telemarketing Guidelines** document posted on the Agent Portal for specific instructions.

**Alert:** The Wisconsin Department of Agriculture, Trade and Consumer Protection requires agents to register as a telephone solicitor if you, or your employees, call Wisconsin area codes to market insurance products.

### Text Messages & Commercial Emails

Text messages and commercial emails which “facilitate an already agreed-upon transaction or updates a customer about an ongoing transaction” are considered transactional and are not subject to most of the CAN-SPAM requirements. However, they must contain truthful information (i.e. they cannot appear to come from a different organization). Most other text messages and emails are considered commercial and are subject to CAN-SPAM requirements. Text messages and commercial emails may only be sent to:

- Existing clients.
- Prospects who reside in states where you are licensed.
- Licensed financial professionals (insurance agents and securities professionals) for recruiting purposes.
- 20 or fewer recipients per email if you are sending the emails from an NLG email domain such as “@nlgroupmail.com”, “@nationallife.com”, or have an email that is configured to flow through NLG’s servers (for example, if you are a representative of ESI with a vanity email address).

### Text Messages

All phone numbers must be checked against the Do Not Call lists prior to sending a text message. The Company does not allow marketing regarding NLG, its companies, products or unique product features via text. If you wish to create your own marketing text messages avoiding these categories, please refer to the FTC’s guide on all components necessary to meet the requirements of the CAN-SPAM Act: <https://www.ftc.gov/tips-advice/business-center/guidance/can-spam-act-compliance-guide-business>.

**Registered Representative Alert:** Registered Representatives affiliated with ESI are prohibited from sending commercial text messages. Registered Representatives affiliated with other broker/dealers should check their broker/dealer’s policies and procedures for guidance.

### Commercial Emails

If you are using NLG branded marketing emails, the email template provided will contain instructions for checking on consumers who have opted-out or chosen to unsubscribe. If you use your own marketing email template, and do not meet the NLG advertising review submission criteria, you must track and maintain your own list for recipients who have requested not to be emailed again.

If your email makes any mention of NLG, you must scrub your mailing list through our vendor, UnsubCentral, prior to each mailing to ensure you are not sending an email to any address which has unsubscribed from NLG’s marketing communications.

For more information on the rules for marketing emails refer to the **Instructions for using Email for Marketing or Recruiting Purposes** document posted on the Agent Portal of the NLG website.

### Faxes, Autodialers, & Automated Text Messages

In order to send an unsolicited advertisement to any fax machine, to use an automatic telephone dialing system (“ATDS”), a service that uses an ATDS, or a service that automatically sends commercial text messages, you must obtain prior “Express Written Consent” from the consumer you intend to contact. The FCC may include text messages sent from text messaging apps and “internet-to-phone” text messages in its definition of ATDS marketing prohibited without prior written permission.

Express Written Consent as defined by the Telephone Consumer Protection Act (“TCPA”) means a written agreement which includes:

- The signature of the person providing consent.
- The specific seller(s) to whom consent is provided.
- The specific phone number to be called/faxed.
- Key disclosures:
  - Instructions specifying the consumer authorizes you or your company to make telemarketing calls.
  - Calls will be placed using an ATDS, if applicable (please note, the FCC prohibits the use of an ATDS to call cell phones).
  - The consumer is not required to provide consent as a condition of purchase.
  - Affirmative action by the consumer indicating their consent (i.e. checking a box confirming consent).

Faxes may be sent to recipients with whom you have an existing business relationship if the number was provided voluntarily by the recipient and they have not indicated they do not accept unsolicited advertisements.

### Tips for Success

- Know and understand federal regulatory requirements and the regulatory requirements in the state(s) in which you do business. These requirements may vary by state.
- Keep your email lists up to date by scrubbing them through UnsubCentral. This needs to be done every time you send a commercial email as the recipient may have opted-out of receiving emails from NLG since the last time you emailed them.
- Include the words, “This is an advertisement” on any written marketing materials.
- Before calling any phone number, use the Do Not Call search tool on the Agent Portal.
- If a consumer specifically asks you to not contact them, abide by this request and notify NLG in a timely manner by emailing: [unsubscribe@nationallife.com](mailto:unsubscribe@nationallife.com).
- Provide consumers with an opt-out.

### Prohibited Acts

The following actions are expressly prohibited:

- Contacting individuals on one of the Do Not Contact lists.
- Providing false, misleading, or deceptive information.
- Engaging in abusive or harassing conduct.
- Identifying yourself or your office as a representative of NLG when telemarketing.
- Placing phone calls or texts prior to 8:00am or later than 9:00pm in the time zone of the person you are contacting, or on specific holidays listed by the state in which the person you are contacting is located.
- Sending unsolicited commercial emails that do not meet the conditions of CAN-SPAM Act.
- Using ATDSs, pre-recorded phone calls, or sending commercial text messages from an app or internet program (without prior express written consent).
- Faxing unsolicited advertisements unless you have obtained prior express written consent.

## Soliciting Business

Building demand for your services takes time, effort, and creativity, and NLG wants you to be successful. Ethical sales practices will result in a predictable and sustainable pipeline of clients and relationships and will help protect you should the need arise.

### Identify Yourself

When working with a policyowner or prospect, you must identify yourself and tell the prospect you are an insurance agent.

**Registered Representative Alert:** If you are also a Registered Representative, you must identify yourself and tell the prospect you are an insurance agent along with identifying the broker/dealer with which you are affiliated.

Clearly identify your company and agency affiliations, leaving no doubt in the prospect's mind as to who you are and the nature of your business. If you are an independent agent and represent several companies, you need not mention them by name until you make a product recommendation. At that point, you must disclose the company's name and your relationship as an agent with the company. Regulations vary by state, and it is your responsibility to be aware of and abide by the regulations in the state(s) in which you are licensed to sell.

- If you are also acting in a dual role with a client or prospect (such as a realtor, CPA, etc.), make it very clear when you are transitioning from one role to another, that your two businesses are in no way related, and there is no "tie in sale" arrangement or requirement associated with the two transactions.

### Foreign Nationals & U.S. Possessions and Territories

NLIC and LSW are not licensed to do business in any foreign country and have created procedures for soliciting business from an individual who is considered a foreign national. While following these procedures is required, doing so does not assure an application will be accepted and issued.

NLIC and LSW consider any individual who spends more than four (4) months in a consecutive twelve (12) month period outside the U.S. as a foreign national – this includes U.S. citizens. A foreign national applicant (insureds and owners) must have a verifiable connection, or nexus, to the U.S. Examples of a verifiable nexus include, but are not limited to, owning real property in the U.S., having documented financial assets/accounts residing in the U.S., or being married to a U.S. citizen who resides in the U.S. For additional information, consult the **Foreign National Guidelines in the Life Insurance Underwriting Guide** available on the Agent Portal of the NLG website.

All parts of a life insurance or annuity application process must occur within the U.S., including but not limited to, solicitation, completion of the application packet, medical examinations, policy delivery, and signing for the policy package, including signing all required delivery documents. Both you and the applicant/policyowner must be physically present in the U.S. when all documents are completed and signed. Failure to follow the Company's foreign national guidelines puts NLG at risk for operating in a country where we do not have a license. This also exposes you to the same risk, which may result in large fines and other disciplinary action, up to and including termination of your appointment with NLG.

NLIC and LSW are not licensed to sell insurance in any U.S. possession or territory, including Puerto Rico, Guam, and the U.S. Virgin Islands. As used in this Manual, the "U.S." includes only the District of Columbia and the 50 U.S. States with respect to NLIC and the District of Columbia and the 49 U.S. States other than New York with respect to LSW.

### Sales to Military Personnel

The Federal Military Personnel Financial Services Protection Act and individual state insurance regulations impose specific disclosure requirements when soliciting a sale to an active-duty member of the U.S. Armed Forces or their dependents or spouse. The disclosure requirements apply to both life insurance and annuity products, regardless of whether the solicitation takes place on or off a military installation. Additional requirements may apply to applicants with a military pay grade E-4 and below in certain circumstances.

The definition of “active duty” may vary by state; however, it generally means full-time duty in active military service of the U.S., and includes members of the reserve component (National Guard and Reserve) serving under published orders for active duty or full-time training. A handful of states have adopted different definitions: Florida, Nevada, Massachusetts, and Vermont. It is important to be familiar with the regulations in the state(s) in which you do business if you are involved in any solicitation to military personnel.

### Sales on Military Installations

A “Military Installation” is broadly defined and includes a military base, post camp, building, or other facility to which service members are assigned for duty, including barracks and transient housing. If a service member is assigned to a Military Installation, any family member is also subject to the same protections.

In addition to state specific regulations, any solicitation and sales taking place on a military installation are subject to the rules and requirements set out in the Military Personnel Financial Services Protection Act. Military installation solicitations also require the approval of the base commander, and all Department of Defense requirements must be followed. For additional information, please refer to the **Military Sales Policies & Procedures** posted on the Agent Portal of the NLG website.

### Military Sales Prohibitions

The regulations related to military sales declare certain practices as false, misleading, deceptive, or unfair. The following practices are expressly prohibited; however, this list is not exhaustive. Please be familiar with state specific deviations:

- Misrepresentations or Enticements in Solicitation
  - Offering or giving something of value to a service member to attend any event where life insurance or an annuity is solicited or for their assistance in encouraging, assisting, or facilitating the sale of life insurance or an annuity to another service member.
  - Using a title, descriptive name, or third-party organization to imply you are affiliated with the U.S. Armed Forces or a state or federal government agency.
  - Failing to disclose a solicitation for the sale of an annuity or life insurance product will be made when establishing an appointment with a prospective purchaser.
- Product Misrepresentations
  - Implying the credited interest rate is a net return on the premium paid.
  - Excluding individually issued annuities or misrepresenting the mortality costs of a life insurance product, including implying the product costs nothing or is free.
  - Making any false or misleading statements regarding availability, suitability or cost of Servicemembers' Group Life Insurance (“SGLI”) or Veterans' Group Life Insurance (“VGLI”).
  - Making any false, misleading, or deceptive representation regarding conversion requirements of SGLI or VGLI.
  - Encouraging a service member to cancel or terminate their SGLI policy or issuing a replacement of an existing SGLI policy unless the replacement takes effect upon or after the service member’s separation from the U.S. Armed Forces.

- Pay Allotments and Premium Payments
  - Submitting or assisting in processing an allotment form that would direct a service member's pay to a third party for the purchases of a product. You may, however, assist a service member by providing insurer or premium information to complete an allotment form.
  - Implying allotments for an insurance premium are a checking or savings deposit.
  - Advising a service member to change income tax withholding for the sole purposes of increasing income to purchase insurance.

### Soliciting Senior Citizens

Many states have adopted senior protection regulations. It is important to be familiar with the requirements in the state(s) in which you are conducting business in. For additional guidance, please refer to the "Selling to Seniors" section within the **Advertising Guidelines for Agents and Registered Representatives** document available on the Agent Portal of the NLG website.

**Registered Representative Alert:** Registered Representatives associated with FINRA member broker/dealer firms should follow their firm's written supervisory procedures, compliance manual, or guidelines.

When working with a senior citizen:

- Be alert for signs of mental deterioration or cognitive impairment.
- Take as much time as is necessary to make sure your client fully understands the product they are purchasing and how it fits their needs. Consider involving a family member to help ensure full understanding. Speak in plain English and avoid technical jargon.
- Evaluate the need. The primary purpose of life insurance is the death benefit and the primary purpose of an annuity is income. When considering selling these products to senior citizens, ask yourself if they really need such a product.
- Take detailed notes to keep in your file.

Additional information on this topic is in the Antifraud & SIU section of this Manual.

California has enacted some of the strongest protections with respect to seniors. When meeting a senior citizen (defined as an individual 65 years of age or older) in their California home, you must provide them with the California Senior Notice Prior to Visit for Life Insurance or Annuity Sales Discussion Form (#20045), no less than 24 hours, and no more than 14 days prior to your meeting. This must be repeated for each subsequent meeting in the senior citizen's home. Additionally, you may have to also provide them with the California Financial Advice Disclosure for Elders Form (#8196) if you recommend the selling or liquidation of any stock, bond, IRA, certificate of deposit, mutual fund, annuity, or other asset to purchase a life insurance or annuity product.

Additional requirements include:

- Upon arriving in the senior's home, and before you ask any questions or make any statements other than greeting, you must state the purpose of the meeting is either to talk about insurance, or to gather information to sell insurance, whichever is appropriate.
- You must disclose during the initial contact if the senior's name was obtained from a lead generation service.
- You are also required to state the following information:
  - The name and titles of all persons arriving at the senior's home; and
  - The name of the insurer represented.
- Each person attending a meeting with a senior must provide the senior with a business card or other written identification stating the person's name, business address, telephone number, and any insurance license number.
- All persons attending a meeting with a senior shall end all discussions and leave the home of the senior immediately upon being asked to do so.

### Tips for Success

Ethical sales practices begin with putting the customer's needs first. Agents who exhibit this behavior can shape the way a customer views both you and NLG and create a bond of trust that will last long after the sale has been made. In addition to the tips outlined throughout this section, here are a few more:

- First and foremost, the death benefit must be the primary focus of any strategy or communication regarding life insurance, and the client must have a demonstrable need for this benefit. Similarly, the primary focus of an annuity must be to plan for retirement.
- Tell the prospect the product you are marketing is a life insurance or annuity product.
- Explain carefully and clearly the type of insurance coverage you are proposing.
- Explain any risks up front. Make sure the prospect is not surprised later.
- Fully disclose all limitations, exclusions, or reductions of the product.
- Fully disclose guaranteed elements as well as the nonguaranteed elements of the policy or contract, making clear by illustration which values are guaranteed and which are not.
- Always disclose the existence and potential impact of surrender penalties and withdrawal charges and expenses, if applicable.
- Disclose that loans and withdrawals reduce the cash value and death benefit, and that in the event the policy lapses, any income taken may be taxable.
- Only use terminology that is consistent with provisions in the life insurance policy or annuity contract.
  - Avoid using industry jargon, e.g., “IUL,” “VUL,” etc. Communicate simply and clearly. Do your utmost to make sure the prospect/policyowner understands the product and how it works.
  - Avoid terminology that could lead the prospect to form the wrong impression about the product. For example, while it is permissible to discuss the potential uses to which a policy's cash value can be put—including retirement income and college tuition—never refer to life insurance as an “investment/investment plan,” “private pension plan,” “retirement plan,” “college plan,” “savings plan” or “tax free retirement plan.” Similarly, do not refer to an annuity as an “investment” or “mutual fund.”
  - Never use the terms “deposit(s),” “savings” or “investment” when referring to premium payments, cash values or contract values.
- Always service what you sell. Meet with the client at least annually.
- Most K-12 schools typically only allow 403(b)/457(b) annuity plans to be sold on school property. Check with school authorities prior to soliciting business on other products, such as life insurance to ensure there are no limitations on what you can offer.
- Agent change requests to yourself should be at the request of the policyholder or in partnership with a Home Office orphan policy or in one of our dormant K-12 403(b)/457(b) plans.

## Prohibited Acts

In addition to the prohibited acts outlined above, the following actions are expressly prohibited:

- Selling or attempting to sell products or amounts of insurance which would not be appropriate or serve the best interest of the policyowner or client.
- Soliciting the sale of any product in any state where not properly licensed and appointed with NLG.
- Requiring any person to purchase an NLIC or LSW life insurance policy or annuity contract to obtain employment or affiliation with an agent or agency.
- Entering into any agreement or contract with sub-agents for the solicitation of insurance or to share commissions with anyone not licensed and appointed with NLG. NLG does not permit agents to appoint sub-agents.
- Purchasing a policy or advising others to purchase a policy, or to assign a policy to another agent, for the purpose of qualifying for a sales conference quota or achieving any production quota.
- Representing a face-to-face sales solicitation took place if that was not the case.
- Soliciting business from an individual outside of the U.S.
- Making any representation verbally, through the use of a trade name, use of professional designations, or marketing materials in such a way as to conceal the fact you are an agent and offer life insurance and annuities.
- Providing advice, including investment advice for which you lack the appropriate licensing or registration. For example, an agent with a life insurance license who is not registered to offer securities may not:
  - Comment or provide advice on a client’s investments or the stock market
  - Suggest a client sell, surrender, or replace any investment to purchase fixed life insurance or annuities.
- Comparing NLG Accelerated Benefit Riders (“ABRs”) with Long-Term Care (“LTC”) insurance. State regulations regarding how LTC insurance is sold are very strict and clear. A life insurance policy with an ABR may NOT be described as “superior,” or in any way comparable to LTC insurance. It is important to use only the NLG Compliance flyers approved for public use when discussing ABRs, as they include all required disclosures.
- Paying or offering to pay any amount or provide anything of value as an inducement to a person to buy a policy. This includes rebating a portion of the commission on a sale.
- Failing to inform the policyowner of all significant and material conditions and requirements of a life insurance policy or annuity contract.
- Failing to disclose and explain the guaranteed and non-guaranteed aspects of any life insurance policy or annuity contract. This also includes “guaranteeing” any non-guaranteed values such as dividends, dividend projections, or projected interest rates.

## Suitability & Best Interest

Insurance professionals with the most successful long-term careers and client relationships practice needs-based selling. They take the time and effort to obtain relevant information from customers to determine their insurance needs and financial objectives.

Courts and regulators have often determined that even if the client is willing to purchase a product or service, an agent or advisor has a responsibility to act in the client's best interest. If you have any questions about the suitability process or requirements, please reach out to your New Business Case Manager.

### Annuity Suitability

Most states have adopted the National Association of Insurance Commissioners ("NAIC") Suitability in Annuity Transactions Model Regulation which helps to protect consumers, agents, and NLG. The regulation requires agents to make a reasonable effort to obtain information such as tax status, financial status, investment objectives, etc., and act in the best interest of the consumer when making a recommendation. The Company offers a fact-finding tool called the **Consumer Profile Information** form located on the Agent Portal of the NLG website to help you in gathering information to assess the consumer's needs. An agent has acted in the consumer's best interest if they have satisfied obligations regarding Care, Disclosure, Conflict of Interest, and Documentation.

- **Care**
  - Know the consumer's financial situation, insurance needs and financial objectives.
  - Understand the products available.
  - Believe in the recommendation.
  - Communicate the basis for the recommendation.
- **Disclosure**
  - As part of our application kits, NAIC MDL-275 – Appendix A is provided and must be submitted.

- **Conflict of Interest**

- Identify and avoid material conflicts of interest.
- Material conflict of interest does not include cash compensation or non-cash compensation.
- An example of a material conflict of interest would be if an agent were the beneficiary of a policy insuring a non-immediate family member as it may lead to a financial gain.

- **Documentation**

- Clearly document and maintain a written record of the basis of the recommendation, the consumer refusal to provide information, and if a consumer refuses to provide any information leading to the absence of a recommendation.

Prior to soliciting the sale of an annuity or making a recommendation, an agent must first complete both state training and NLG product training requirements. The NLG product training is offered on the Agent Portal of the NLG website and includes training on Indexed Annuity products, Fixed Annuity products, and Variable Annuity products.

If a replacement is involved, the prospect should understand various features (favorable and unfavorable) of the proposed transaction, such as the surrender charge period and any charges or fees that may be applied.

The NAIC regulation also requires insurance companies to establish and maintain a system to supervise product recommendations to ensure the insurance needs and financial objectives of consumers are addressed. Suitability reports will periodically be reviewed to identify trends or patterns of behavior by an agent that may need improvement. As part of this review, you may be asked to provide paperwork from your policy files regarding your recommendation and the information you shared with the consumer. If requested, paperwork must be provided in a timely manner.

**Registered Representative Alert:** Registered Representatives associated with FINRA member broker/dealer firms should follow their broker/dealer's Regulation Best Interest written supervisory procedures, compliance manual, or guidelines.

For additional guidance, refer to the **Navigating a Smooth Ride Through Annuity Suitability and Position Statement and Guidelines for Annuity (Best Interest) Suitability** documents available on the Agent Portal of the NLG website.

### Tips for Success

- Use fact finders. This will make it easier for you to obtain relevant information in a consistent manner. They will also assist you by better documenting what prospects and customers say about their current situation and their long-term goals so you can serve their needs more effectively.
- Ask yourself:
  - Would I recommend this product to one of my family members?
  - Do the recommendations made assist my client in meeting their insurance needs and financial objectives?
  - Will the new product help meet my client's long-term financial objectives?
- Clearly document and retain in your files the reasons behind your product recommendation.
- Keep up to date with the regulatory requirements mandating suitable sales.
- If a replacement is recommended, submit a recent policy statement from the existing policy which will help streamline the process.

# Replacements

A replacement is rarely in the best interest of a consumer. It may subject a consumer to surrender charges, new suicide and contestable periods, and tax liability. However, it is your responsibility to evaluate a consumer's needs holistically and, if they have existing coverage, determine if a replacement is or may be in their best interest.

## Definition of Replacement

The Company defines "replacement", as the sale of a new life insurance policy or annuity contract, which results in the change or discontinuation of an existing policy or contract through:

- Surrender (including partial surrender), lapse, termination or reduction of premiums.
- Redirection of premium, including flow premium on annuities.
- Reduction in the amount or period of coverage.
- A financed purchase, or in any borrowing (loans) from any existing life insurance policy or annuity contract.

This definition may differ by state, and it is important for you to know the regulations for the state(s) in which you conduct business. Please contact Life & Annuity Compliance if you have questions or would like more information regarding state-specific replacement regulations.

Replacements may be internal (such as one NLIC policy being replaced by another NLIC policy) or external (such as an NLIC policy being replaced by an LSW policy or a policy issued by another carrier being replaced by either an NLIC or LSW policy).

## Definition of Financed Purchase

The Company defines a financed purchase 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 due on the new policy.

Also be aware, if a withdrawal, surrender, or borrowing of 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 four (4) months before or thirteen (13) months after the effective date of the new policy, the new policy will be considered a replacement.

## Agent Obligations

Fair competition is paramount when it comes to replacing existing policies. You are responsible for ensuring compliance with any non-competition or non-solicit obligations you may be subject to, including prohibitions on soliciting existing customers of another insurer. When you become aware a replacement may be involved in a transaction, you must take the following steps:

- Provide the consumer with appropriate information regarding the nature of the replacement to assist them in determining whether it fully meets their specific, stated needs.
- Be sure the consumer is made aware of the consequences of replacement activity – including but not limited to:
  - The likely assumption of new or duplicated expense and sales charges.
  - The loss of existing policy provisions and protections.
  - The potential loss of rights and benefits.
  - Surrender charges and/or renewed surrender charge periods.
  - The potential for increased tax liability.

After careful consideration, if you and the applicant determine a replacement is in their best interest, you must complete the required replacement forms. As a reminder, prior approval from a plan administrator may be required for some qualified plans. Additionally, the replacement of paid-up insurance is rarely considered in the best interest of the consumer.

A complete copy of the **Company's Position Statement and Guidelines for Replacements** is available on the Agent Portal of the NLG website.

To ensure agents follow the requirements of state regulations and recommended practices, Life & Annuity Compliance reviews replacement activity on an ongoing basis.

**Important:** Undisclosed replacements are prohibited by the Company. If undisclosed replacements are discovered, they will be referred to Life & Annuity Compliance for further analysis and possible disciplinary action

### Tips for Success

Replacing policies is a highly regulated and monitored aspect of the insurance industry. While replacements are important and necessary for some, all options must be thoroughly considered before determining if a replacement is in an applicant's best interest. The following guiding principles will help you ensure what you recommend is in the best interest of the applicant:

- The best interest of the consumer must always be given the first and highest priority. Evaluate each consumer's position holistically. There is no such thing as a "one size fits all" option – particularly when it comes to replacement. What may be in the best interest of one consumer may not be in the best interest of another.
- Fully discuss the pros and cons with your client and exhaust all options other than replacement before recommending a replacement. Consider if the existing policy or contract can be rewritten or converted. Consider if the consumer can keep their existing policy and fund a new policy. If a replacement is not in the best interest of the client, you should not suggest it.
- Consider the consumer's age. The likelihood a replacement will be in the best interest of a consumer declines with age.
- Conduct business according to high standards of honesty and integrity.
- Engage in fair competition (Refer to the Fair Competition & Unfair Trade Practices section of this Manual for further guidance).
- Communicate clearly and accurately.
- Comply with all state laws and regulations regarding replacements. For information specific to New York, please see the New York Addendum of this Manual.
- Know and follow the Company's replacement policy, rules, and guidelines.

### Prohibited Acts

The following actions are expressly prohibited:

- Twisting, churning, or using existing life insurance policy or annuity contract values (cash, loan values, or dividend values, etc.) to purchase another insurance policy or annuity contract with the same insurer for the purpose of earning additional premiums, fees, commissions, or other compensation.
- Manipulating a client's or policyowner's policies or accounts to circumvent state or Company replacement rules.

**Registered Representative Alert:** Registered Representatives associated with FINRA member broker/dealer firms should follow their broker/dealer's written supervisory procedures, compliance manual, or guidelines.

# Illustrations

Illustrations are vital to consumers because they help them understand the product and the strategy you are proposing. They simplify things for you and the clients by creating detailed scenarios for reference and defining all necessary terms. When an agent provides an illustration for more than one policy offer, it helps the client make comparisons so they can make an informed decision.

## Life Insurance Illustrations

The National Association of Insurance Commissioners (“NAIC”) Life Insurance Illustrations Model Regulation has been adopted by most states. It contains provisions for how life insurance policy illustrations are to be delivered when utilized as part of an agent’s sales process.

The main purpose of Illustration regulations is to protect consumers. There are three types of illustrations:

- Basic Illustration – a ledger or proposal used in the sale of a life insurance policy reflecting both guaranteed and nonguaranteed elements.
- Supplemental Illustration – furnished in addition to a basic illustration that meets certain requirements and may be presented in a format differing from the basic illustration. Supplemental illustrations must include a notice referring to the basic illustration for guaranteed elements and other important information. Supplemental illustrations on NLG products created by you must be submitted to Life & Annuity Compliance for review and approval prior to use.
- In Force Illustration – an illustration furnished at any time after the policy has been in force for a year or longer.

A key provision of the regulation requires a life insurance applicant to sign a statement confirming they understand a basic illustration is not a promise or a guarantee. Although designed to protect consumers, this also protects agents and companies selling individual life insurance policies.

Illustration requirements will vary by state. Please make sure you know the requirements of the state(s) in which you are licensed to do business. For instance, all life insurance solicitations in New York require a signed basic illustration as part of the sale. Refer to the New York Addendum of this Manual for additional guidance.

## When an Illustration is Used in the Sale

If you use an illustration in the sale of a life insurance policy, and the policy applied for is as illustrated, a copy of that illustration must be submitted to NLG at, or before, the time of application. **This illustration must be signed and dated by both you and the applicant/policyowner prior to its submission to NLG.** A copy must also be provided to the applicant/ policyowner.

## When an Illustration is Not Used in the Sale

If you did not use an illustration in the sale of a life insurance policy or if you used an illustration but the policy applied for is other than as illustrated, you must check the appropriate box on the life insurance application acknowledging no illustration was used at the time of the sale.

In the event the policy is issued, NLG will include an illustration conforming to the policy as issued within the policy package. This illustration must be signed and dated by both you and the policyowner **no later than the time the policy is delivered.** A copy of the signed illustration must be provided to the policyowner and to NLG.

## When the Policy is Issued Other Than as Applied For

In the event the policy is issued other than as applied for, NLG will send you a revised illustration conforming to the policy as issued. This illustration must be signed and dated by both you and the policyowner **no later than the time the policy is delivered.** Again, a copy of the signed illustration must be provided to the policyowner and to NLG.

### Annuity Illustrations

While annuity illustrations are not a regulatory requirement, they are a recommended tool when soliciting business. This is especially true for comparison purposes when recommending the replacement of an existing product. If an illustration is reviewed with the consumer, best practice is to have the applicant sign and date the last page of the illustration and submit the full illustration with the application paperwork.

### Tips for Success

- Use Company approved illustration software when soliciting business. This will ensure the illustration contains all the necessary elements (including disclosures) and meets state regulatory requirements. Illustrations are meant to make your job easier and help provide the prospect with the information they need to make an informed decision.
- Know and understand the regulations in the state(s) in which you do business.
- Review the illustration in detail with the customer by accurately representing the policy as a life insurance product with the primary purpose being the death benefit. Life insurance should never be described as an investment product, savings plan, retirement plan, or college fund.
- Use and describe the guaranteed and nonguaranteed elements the life insurance product contains. Discuss the guaranteed elements of the proposed product first, and then discuss the non-guaranteed elements. Place emphasis on the fact non-guaranteed elements are, as their name suggests, not guaranteed, and actual performance may be better or worse.
- Be sure to illustrate and explain how the product will perform at various interest crediting rates, including the fixed or guaranteed.
- Provide the applicant with all pages of the illustration in the correct numerical order.
- Inform the customer premium payments may be required for each year of the policy to maintain the illustrated death benefits.
- An illustration constitutes “sales material”. When you use an illustration, make sure you answer any question about the use of sales material during solicitation with “yes.”

### Prohibited Acts

The following acts are expressly prohibited:

- Using any illustrations not approved by NLG or altering any illustration without NLG approval.
- Describing life insurance as an investment product, savings, plan, retirement plan, or college fund.
- Stating that future premium payments will “vanish,” describing a policy as “vanishing premium,” or using similar terms.

## Completing the Application

Your role as a field underwriter is vitally important to us. You are our eyes and ears. We rely on you to ask crucial questions and help with the assessment of the proposed insured. The Company has published a Life Insurance Underwriting Guide to assist agents in completing and submitting applications. Refer to the Life Insurance Underwriting Guide on the Agent Portal of the NLG website for detailed information regarding your responsibilities.

### Non-Resident Sales/State Nexus

When an application is executed in a state other than the state of residence of the applicant, the Company requires an acceptable connection (“nexus”) between the state where the application is being executed/signed and the state where the applicant lives. Many states are sensitive to business written on their residents in other states, so it is critical the connection is clearly stated when an application with a nexus situation is submitted. Valid reasons for a non-resident sale to take place:

- The Insured/Owner owns a second home in that state.
- The company the Insured/Owner works for is based in that state.
- The Owner of the proposed policy is a trust governed by the laws of the state where the application is to be completed.

Please refer to the **Life Insurance Underwriting Guide** on the Agent Portal of the NLG website for additional guidance on non-resident sales. For more information specific to New York resident applicants, please consult the “New York Addendum” of this Manual. Additionally, LSW is not licensed to do business in New York, and no LSW products can be sold to a New York resident.

### Stranger-Originated Life Insurance (“STOLI”) or Investor-Owned Life Insurance (“IOLI”) Programs

In these types of programs, a policy is purchased by one or more strangers or investors who are unrelated to the insured. The Company believes most of these programs operate outside of the intended framework of life insurance. The intention of life insurance is to provide a death benefit to a beneficiary who has suffered an economic loss because of the death of the insured. Life insurance is not, and was never, intended to provide strangers or investors with a potential economic windfall.

NLG’s position on STOLI or IOLI programs is consistent with our commitment to integrity and trust. Accordingly, NLG will not participate as a product provider in any STOLI or IOLI program. This includes, without limitation, programs that have the following characteristics:

- Programs promising “free” or “no cost” insurance or that guarantee a set sum for participating as an insured in a particular program. This usually involves a form of non-recourse premium financing where the insured contributes little or no insurance premium. This type of arrangement creates a questionable insurable interest that indicates an investment scheme to profit from the death of the insured.
- Programs with underwriting concerns associated with placing a case outside of accepted financial or medical underwriting guidelines or that play one company’s products against another based on product pricing and underwriting class.
- Programs with overly complex legal structures that use such techniques as multiple trusts or limited liability corporations/partnerships that attempt to mask or hide the inherent investment purpose of the insurance plan.

NLG expressly prohibits agents from engaging in the speculation of human life by soliciting or receiving an application, delivering a policy, or suggesting or assisting in any assignment or transfer of ownership of a policy where the policy is to be used for that purpose.

## Completing the Application

The application is a vital part of the life insurance and annuity purchase process. The application gives the underwriter the information necessary to determine a consumer's insurability.

Once you are appropriately licensed:

- Applications should be completed in the physical presence ("face to face") of the proposed insured whenever possible.
  - There may be circumstances when a face-to-face meeting is not possible. Please refer to the **Accepting Remote Applications** guidelines on the Agent Portal to determine if your case meets the requirements. If you believe your case meets the requirements, contact your NLG Field Leader to request approval prior to taking an application other than face to face.
- You should be fluent in your client's native language.
  - An interpreter should not be used to complete an application.
- Take the application in English.
  - All applications and policy forms must be completed in English and the client must fully understand all such material. English language signatures or printed names must be provided.
- Ask every question on the application and the accompanying forms.
  - A life insurance policy is a legally binding contract. Each question helps the underwriter provide a proper risk assessment ensuring the applicant receives the best offer possible. By completing the application truthfully and thoroughly, you help us uphold our mutual promise to provide the client with the best possible solution based on their needs.
- Watch for questions which the proposed insured may not be answering truthfully, such as financial or medical questions.
  - Put all answers through a "reasonableness" test. In other words, ask yourself if the answers to the questions make sense and if they match what you already know about your client. If an applicant states that they have no medical history and/or physician, verify this is correct.

- Know what additional requirements may apply (i.e. replacement requirements, etc.).
- Obtain all required signatures.
  - Application signatures are submitted via eApp with corrections initiated by NLG via DocuSign. Other companies may not accept electronic signatures on transfer forms.
- Use eApp.
  - eApp is designed to help you make sure all requirements are submitted appropriately. By using eApp, you help guarantee each application is completed properly the first time.

## Signature Requirements

### Paper/Hard Copy Applications and Documents

- The ability to certify the validity of signatures on policy-related documents is a critical requirement for transactions to be considered submitted in "Good Order." In general, only "wet" signatures – those personally applied and (where required) witnessed – are acceptable on paper/hard copy, policy-related documents.
- You must affix your own signature. Unlicensed individuals cannot sign life insurance or annuity applications on your behalf.

### Electronic Applications

- eApp offers a web-based method which allows an applicant to complete an application and/or form online and affix an electronic signature. NLG has a carefully designed eApp process to ensure the confidentiality of the data and verification of the parties.
- eApp has been approved for certain products and/or forms. Agents may not use another eApp vendor or another method of obtaining an electronic signature (e.g., signature "pads") for completing applications. Printed signatures or typed signatures are not acceptable.
- The Consent to Do Business Electronically form reflects both your IP address and that of the applicant. IP addresses should be verifiable and in line with the actual IP address. IP addresses can be verified and mapped back to where the application was actually signed.

### Applications Signed by a Power of Attorney (“POA”)

- NLG **does not** accept life insurance or annuity applications signed by individuals holding a POA for the applicant.

### Tips for Success

- Adopt a consumer mindset by creating an end-to-end customer experience that empowers and delights.
- Use only terminology that is consistent with provisions in the life insurance policy or annuity contract.
- Make sure any comparisons you make are fair and complete.
- Document in your client file the need(s) uncovered during the sales process and indicate why the product sold reasonably fits the need(s).
- Make sure that clients read and understand a completed life insurance or annuity application before signing.

### Prohibited Acts

The following actions are expressly prohibited:

- Allowing any person other than the applicant to complete the health questions on a life insurance application. It is important all health-related questions are completed truthfully. Missing or inaccurate information may cause application delays or less favorable pricing, or the policy may be rescinded due to misrepresentation.
- Using your own address, email, or phone number on applications for insurance, unless you are the owner.
- Soliciting, completing the application, or delivering a policy to an individual who was not physically within the U.S.
- Adding, deleting, or changing the answers given on any document after the insured/beneficiary/applicant/policyowner has signed the form attesting to its accuracy.
- Agreeing with any applicant to any extra premiums for extra risks.
- Signing an application if you were not present for the presentation and sale of the product.
- Signing the name of another person, including affixing an electronic signature, of an applicant, insured, policyowner, beneficiary, assignee or otherwise, whether or not such person consents. All documents must be signed by the applicant, insured, policyowner, beneficiary, assignee, or other person as appropriate.
- Signing as a witness to any person’s signature on any application or other paper relating to the Company’s business (such as health certificates, amendments, questionnaires, etc.) unless that signature is written in your presence.
- Requesting or retaining any blank forms signed by the applicant or client, such as applications, dividend change forms, or loan forms under any circumstances.

# Collecting Premium

After the application has been completed and signed, it is time for the client to begin paying premium. As part of the NLG Anti-Money Laundering (“AML”) compliance program, we have defined the acceptable forms of premium payment.

## Acceptable Forms of Payment

The following are acceptable forms of payment, all of which must be in U.S. dollars from a U.S. bank which complies with U.S. banking regulations (exceptions may apply, please refer to the detailed table of **Customer Policy Payments** available on the Agent Portal of the NLG website):

- Electronic Funds Transfer (“EFT”)
- Pay by Phone
- Personal or Business Checks
- Wire Transfers
- Bank Checks (including cashier’s and treasurer’s checks)
- Money Orders (except for annuity premiums), subject to approval
- Web Payments

NLG will not accept the following forms of payment:

- Cash
- Checks from an Agent and/or Agency
- Credit Card Payments
- Bearer Bonds
- Foreign Currency
- Traveler’s Checks

Unacceptable forms of payment will be returned to the payor.

## Cash Equivalents

Cash equivalents are defined as money orders, cashier’s checks, treasurer’s checks, and similar instruments. Subject to approval, NLG will accept money orders (except for annuity premiums), cashier’s checks, and treasurer’s checks for premium payments; however, these forms of payment cannot exceed \$10,000 in a rolling 12-month period (the \$10,000 limitation is measured by payor, insured, policyowner, or household and excludes single cashier or treasurer’s checks more than \$10,000).

Additionally, all cash equivalents must be purchased directly by the customer – agents are not allowed to purchase the cash equivalent on behalf of the customer. NLG reserves the right to reject any cash equivalent or contact the customer to verify the purchase.

Whenever cash equivalent premium payments are given directly to the agent by the client, a Cash Equivalent Payment Receipt (Form 7953) must be completed with a copy going to the client and a copy submitted to NLG along with the funds. If the Cash Equivalent Payment Receipt is not provided, the payment will be returned to the payor. As referenced above, cash should never be taken by an agent from a client for a life insurance policy or annuity contract payment.

## Tips for Success

- All checks should be made payable to LSW or NLIC as appropriate depending on which company issued the policy on which payment is being made.
- Have clients clearly indicate their policy number, name, and address with their payment submissions.

## Prohibited Acts

The following actions are expressly prohibited:

- Accepting cash from a client.
- Purchasing a cash equivalent instrument (cashier’s check, money order, etc.) on behalf of a client.
- Collecting any monies other than as provided in the Agent’s Contract.
- Paying premiums on behalf of the policyowner, whether from your business or personal account.
- Paying loans on a policyowner’s policy.
- Depositing premium payments into your business or personal account.

## Policy Delivery

Prompt delivery of a life insurance policy or annuity contract is a critical part of concluding the sale and establishing an on-going and lasting relationship with your client. A policy delivery receipt provides an insurance company with written evidence the policyowner received their policy and that they have possession of it. Delivery of the policy also starts the policyowner's "right to review/free look" period.

Policy delivery not only results in a greater placement rate but also affords you the opportunity to meet again with your client, reinforce the purchase, and answer any questions they might still have. It also enables you to confirm the client received the policy. You are required to fulfill all state and Company requirements for delivery of policies and documentation of delivery.

**Important:** If an insured's health changes in a way that might affect their insurability prior to policy delivery, the policy **must not be delivered**, and you should contact the underwriter for instructions. **Under no circumstances should policies be delivered when you have knowledge an insured's health has changed after underwriting requirements were completed.** Further, if you become aware of an insured's death prior to policy delivery, you must immediately return the policy to NLG.

### In-Person Delivery Procedures

The Company prefers you personally deliver the policy to the customer whenever possible.

Upon receipt of the policy from the Home Office/ Agency, you should first verify the policy was issued as requested. You should then schedule an appointment to personally deliver the policy, review its contents, and obtain the necessary signatures on any amendments, illustrations, and the delivery receipt. If a spouse or partner is involved, he or she should be present at the meeting.

As previously noted, the delivery meeting is yet another opportunity to educate and serve your client. Consider it an opportunity to reinforce your client's decision to buy. Go over the policy closely and point out its various parts. Explain in simple terms what each means. It is especially important to be certain your client understands the policy's benefits, risks, and the needs it is designed to address.

At the meeting's conclusion you will deliver the following to your client:

- The entire policy package, which includes the complete life insurance policy or annuity contract.
- The applicable Buyer's Guide(s).
- A copy of the delivery receipt, if required by the state of execution.

The following documents should be immediately forwarded to the NLG Home Office:

- A signed illustration, if applicable.
- Signed amendments and other forms to the policy, if applicable.
- The signed policy delivery receipt.

These documents are crucial to the policy and need to be maintained in the official policy record maintained at NLG. Each document serves an important regulatory and/or contract validity purpose:

- The signed illustration helps ensure the consumer has been made aware of all the guaranteed and non-guaranteed elements of the policy. In the event of a complaint, this document may help the Company defend you and the sale.
- The signed amendment(s) help ensure the policy is appropriately issued. Without the signed amendments, the consumer could be left underinsured, over-insured, insured improperly, or simply confused about their coverage.
- The signed delivery receipt helps ensure the consumer received the policy and begins the right to review/free look period. In many states, the consumer must receive a copy of the policy for the coverage to be considered in force. While delivery receipts are not required in every state, NLG highly recommends you use them and have the customer sign their acknowledgement.

If the signed documents listed above are not received by NLG, it may result in the policy being cancelled, and your commissions may be charged back.

### Electronic Delivery

Although the Company prefers in-person delivery and knows many agents do as well, the Company recognizes the necessity for an electronic delivery option. When you are unable to deliver the policy in person, electronic delivery via DocuSign is allowed if the delivery is initiated by the NLG Home Office. DocuSign is currently the only NLG approved electronic delivery method.

If a policy is to be delivered electronically via DocuSign, please read the DocuSign instructions carefully and discuss the process with the new policyowner to prevent misunderstanding or delays. DocuSign deliveries are initiated by the NLG Home Office. The DocuSign envelope will first be sent to you for necessary signatures, then automatically routed to the client for their signature. You should notify the policyowner they will be receiving an email from NLG, not LSW or NLIC.

For DocuSign electronic deliveries that are not completed, a follow-up email will be sent to the client and the agent in three (3) days. If the delivery remains incomplete, another email will be sent to the agent in thirty (30) days. If delivery still remains incomplete, a letter will be mailed to the client at forty-five (45) days. At fifty (50) days, there are no further electronic delivery attempts and a policy is considered delivered and accepted by the customer.

### Exceptions to In-Person or Electronic Policy Delivery

Only exceptional circumstances justify other than in-person or electronic delivery of a policy. Such circumstances would include (but are not limited to) a client located a significant distance away from the producer, when repeated efforts to arrange a client meeting have been unsuccessful, and electronic delivery is not an option.

When an exception to in-person or electronic policy delivery is made, the policy and accompanying documents should be sent to the client either by:

- Overnight Delivery – FedEx, etc. (with a signature confirmation signed by the customer).
- Certified Mail (with a signed return receipt).

The client should be informed via a “live” telephone conversation (i.e., not a voice mail message) the policy is being delivered in the selected manner.

When you send the policy package to the policyowner using either overnight delivery or certified mail, you should include a cover letter signed by you. The cover letter should provide instructions on which documents need to be signed and returned, and information about the policy and the other documents contained in the package that do not need to be signed. As a reminder, all signed documents should be forwarded to the NLG Home Office.

If your client does not return the signed delivery receipt – and IF it was the ONLY item required to be returned – you should write the policy number on the signature confirmation or signed return receipt from the customer and send it, along with a copy of your cover letter to the client, to the NLG Home Office.

If there were other outstanding requirements at the time of delivery, you should continue to monitor the forms on the Company's delivery reports and continue to pursue any unresolved issues.

Policies must be delivered to the client the earlier of:

- Within 30 days of issuance by the Home Office.
- Acceptance Date recorded on the transmittal letter.

If you are unable to meet this requirement, you should request an extension by notifying the Company in advance of the applicable expiration as defined above.

The Company reserves the right to charge the producer for any market fluctuations affecting registered products during the “free-look” provision following the required delivery date.

### Tips for Success

- Prompt delivery of an issued policy is important – it protects you, the Company, and the consumer.
- The expectation is policies are personally delivered (except for electronic policy deliveries).
- Obtain all necessary signatures and ensure all required documents are promptly returned to the NLG Home Office.
- Notify us as soon as possible of a client's request for free-look cancellation or if the insured has died prior to delivery.
- Notify us if there has been a change in the health of the insured that may affect insurability before delivering policy to them.
- Maintain records of policy deliveries in your files in addition to all other delivery requirements.

### Prohibited Acts

The following actions are expressly prohibited:

- Failing to deliver the policy on a timely basis or keeping the policy in your custody (unless the policy is on yourself or an immediate family member), for a period longer than is necessary for analysis, record organization, and review.
- Delivering a policy to a policyowner outside of the U.S.
- Providing the client with only the signature page of a document (i.e. Illustrations, Amendment(s), etc.).
- Altering policy contracts.
- Affixing stamps or labels on any policy materials, policy envelopes, or materials of the Company in such a way as to obliterate or alter in any way the printed information.

## File Documentation

A well-organized and documented client file is important for many reasons. First and foremost, it is your record of all actions and discussions with the client. Second, it will help you and the Company support your sales process in the event of a client complaint, a regulatory investigation, or a lawsuit about how a policy was sold.

Since complaints or threats of litigation may occur long after a policy is sold, a well-documented file will enable you to easily recreate the sale and document the suitability of your recommendations and follow-up service.

Proper file documentation does not need to be a tedious process. Simply document the results of each meeting or conversation with a short paragraph or two for the file. It only takes a few minutes and, once in the habit, you'll find it becomes virtually automatic.

### Critical Items to Maintain

The following items are critical to documenting a sale and the servicing of a policy, and should always be maintained in client files:

- All Correspondence
- Signed Delivery Receipt
- Sales Material Relating to the Product Sold – This would also include generic sales material
- Client Data or Fact Finder – To document your client's insurance needs, financial situation and/or product suitability
- Signed Agent Disclosures, if applicable
- Meeting Notes – Including dates, locations, times, and method of client contacts (in person/by telephone/videoconference), and brief summaries of all interactions
- Illustration/Proposal Upon Which the Sale was Based

### Client Items You Should Not Retain

Certain documents should never be retained in the client file because of various regulations, compliance rules, and confidentiality issues. They include:

- Medical information
- Inspection Reports (i.e. Equifax, ASB)
- Income Tax Forms
- Statements of a Judgmental Nature about the client
- Signed Blank Forms
- Original Life Insurance Policy or Annuity Contract (keeping a copy is allowed)
- Any other original forms

### Tips for Success

- Create a standard form to document meetings, telephone conversations and videoconferences.
- Stick to the facts when documenting meetings and conversations.
- Have processes and procedures in place to protect your client files – both paper and electronic – from being obtained or accessed by unauthorized persons.

**Registered Representative Alert:** Registered Representatives associated with FINRA member broker/dealer firms should follow their broker/dealer's written supervisory procedures, compliance manual, or guidelines.

# Consumer Complaints

Complaints are part of doing business – even when you strive to do the right thing by your client. The Company has an obligation to consumers to monitor agent conduct and to ensure they are serving their clients appropriately, ethically, legally, and beneficially. One of the ways the Company does this is by fair and expeditious handling of consumer complaints.

The Company is required by the regulations of most states to maintain a log of all **written** complaints, which must be evaluated and handled according to applicable laws and regulations. However, Minnesota and Washington also require the Company to log all **verbal** complaints. Complaints may be received by mail, fax, or by email to: [complaints@nationallife.com](mailto:complaints@nationallife.com).

### Definition of a Complaint

Each state has its own variation on the definition of a complaint. However, for most states, a complaint is defined as any written communication primarily expressing a grievance related to a policy and/or product. The grievance expressed may be about the Company, its products, or its agent(s).

Complaints may be initiated directly by a client, a federal or state regulatory agency, or by a third party such as an attorney or beneficiary. Complaints relating to NLG agents or fixed life and annuity insurance products are handled by Life & Annuity Compliance.

**Registered Representative Alert:** Registered Representatives associated with FINRA member broker/dealer firms should follow their broker/dealer's complaint handling procedures. ESI Registered Representatives must **immediately** notify ESI when a customer complaint is received.

### Reporting Complaints

A consumer or their representative may write a complaint directly to you as the agent of record. If the complaint expresses a grievance about an NLG product, its performance, or your involvement in the sales process or the servicing of a NLG product, you must notify your supervisor and **immediately** forward the complaint to [complaints@nationallife.com](mailto:complaints@nationallife.com). There are regulatory requirements governing the timely response to complaints that vary by state, which is why it is important all complaints are forwarded to Life & Annuity Compliance **immediately**.

Once reported to the Company, you should not respond directly or try to settle the matter with the complainant. This same process should be followed for any complaint communications received from the Better Business Bureau ("BBB"). It should be noted, detailed responses are not provided back to the BBB because of State and Federal Privacy regulations – responses are provided directly to the consumer.

Life & Annuity Compliance will send an acknowledgement to the complainant indicating receipt of the complaint and providing information on who is handling it. If contacted by any state, federal, or industry regulatory authority or agency regarding a regulatory issue, inquiry, or a complaint, you must contact NLG prior to responding or contacting the agency. If a request is sent directly to you from a State Department of Insurance for response and NLG has not been included or mentioned, you should respond directly to the Department and forward both the request and response to Life & Annuity Compliance. As a best practice, NLG recommends you notify your E&O carrier of the complaint.

### Request for Agent Statement

We want to understand the full picture of any complaint received. If the complaint involves any allegations against you (misrepresentation, suitability or best interest of the product sold, failure to disclose policy provisions, etc.), NLG will require a written statement. The statement you provide should address each allegation, stick to the facts of the case, and provide any tangible documentation (such as fact-finders, sales materials, file notes, etc.) supporting your statement. Please keep in mind, regulatory agencies quite often ask for a copy of the agent's statement. Due to the time-sensitive nature of complaints, it is imperative a response to these inquiries is received within 48 hours of the initial request by Life & Annuity Compliance.

The Company must remain neutral during the investigation, and Compliance personnel are not permitted to assist you in creating your response. If a complaint is determined to be justified, it may result in policy cancellation, a return of premium paid, or other accommodation, as well as a commission chargeback. We will notify you about any complaints that are determined to be justified, and we will provide you with a copy of the final response to the complainant once it has been completed.

### Tips for Success

Experience has taught us most complaints can be avoided with prompt, clear, and regular communication. Sound selling and record keeping practices prove invaluable in complaint situations. Here are some tips for success:

- Keep thorough records of all client interactions. Include the following notes in your file: date, location, and length of meetings or telephone conversations, who attended or participated, topics discussed, options reviewed, signed disclosures, and any other relevant details. Document the client's financial needs analysis for all sales as well as suitability of your recommendation. Make your notes as specific as possible.
- At policy or contract delivery, be certain to explain the product in detail, including a thorough explanation of its riders and the points at which they can be triggered. Obtain all required signatures on delivery requirements and submit requirements on a timely basis.
- Review in detail all associated riders, surrender schedules, and their fees.
- Maintain regular contact with our clients. At a minimum, meet with them annually.
- Take no action in response to a complaint – such as returning planning fees or commissions – or make any response which could be construed as an admission of guilt.
- Do not attempt to handle a complaint yourself – contact Life & Annuity Compliance for guidance.

### Prohibited Acts

The following actions are expressly prohibited:

- Responding directly to any state insurance department, regulatory body, or any government agency, either verbally or in writing, without notifying Life & Annuity Compliance. Such matters should be immediately referred.

# Privacy & Data Security

## Privacy

As an agent, building trust with clients is a large part of what you do. Little else can help build that trust more than by showing care and sensitivity when handling a client's private information. Clients need to have confidence that you will take appropriate measures to safeguard their private information. The Company also has an obligation to its customers to safeguard their Personally Identifiable Information ("PII") and Protected Health Information ("PHI"). By protecting a client's private information, you can cultivate the trust and confidence a client feels in you and in the Company.

In the course of our work, we have access to private, confidential, or proprietary information. We must always ensure the privacy of that information, keep it secure, limit access, and use it only for authorized, business purposes. Federal regulation known as the Gramm-Leach-Bliley Act ("GLBA") and individual state laws set forth the requirements for the collection, use, and protection of client's private information.

Agents must provide the Company's Prenotification and Privacy Notice to prospects/applicants at, or before, time of sale. Agents should not share the information they collect with anyone other than NLG or its affiliates. The Company's Privacy Policy is located on the NLG website.

If your appointment with NLG is terminated, you must return any NLG policy files to the Home Office. The obligation to protect a client's private information is ongoing, even after your appointment ends.

**IMPORTANT:** You are responsible for knowing and adhering to the Company's privacy policies and procedures, federal law, and the privacy regulations of the states in which you do business.

### GLBA

GLBA was signed into law in November 1999 and requires financial institutions like NLG to explain how they share and protect their customers' private information. NLG complies with this requirement by providing an annual privacy notice to our customers. This annual notice reflects our privacy policies and practices with respect to non-public personal information.

### Which financial services institutions are affected?

The privacy requirements apply to all financial institutions, including insurance companies, insurance agencies, broker-dealers, investment advisors, investment companies, banks, trust companies and related entities. Insurance agents and Registered Representatives are also considered "financial institutions" under the law and are required to comply with the regulations individually.

### What does GLBA require of agents?

Under GLBA and related regulations, producers engaged in distribution of insurance and other financial products and services can be considered "financial institutions" and therefore subject to the law. That means producers who are independent contractors or independent entities (such as insurance agencies or broker/dealers) may have an obligation to provide their own privacy notice to customers and meet the other requirements of the law, depending on how their independent business is conducted.

However, to the extent a producer acts solely as an agent of companies that comply with GLBA regulations, the Privacy Notices sent by those entities to their customers can be relied upon to satisfy GLBA requirements – thereby relieving the producer of the responsibility to provide a separate privacy notice.

However, if an agent wishes to disclose a consumer's protected information to an entity other than the insurance company the agent is representing, the agent must give the consumer a copy of the agent's own privacy notice – and an opportunity for the consumer to prohibit the disclosure of that information to nonaffiliated third parties – i.e., provide the customer an opportunity to "opt out."

**I write business with more than one company. Does this require any special action on my part?**

You are subject to the law, but you are not required to comply with the notice and opt-out requirements of the regulation which support the law if:

- The companies for which you act as an agent comply with the notice and opt out requirements of the regulation; and
- You do not disclose protected information to any person other than that company or companies, or the affiliates of that company or companies.

**In addition to selling insurance and securities products, I also conduct fee-for-service financial planning. Do I need to provide my customers with additional information?**

If you have a relationship with your clients that is separate from your role as an appointed agent with NLG, or that is separate from your representation of other companies that also comply with the law, you will have to comply separately.

For example, if you primarily sell the Company's products, but also provide independent investment advisory services, and/or sell products or services of other financial institutions, you may need to provide a separate Privacy Notice to your customers.

The "test" is whether the relationship you have with your client is completely separate from the relationship you have with a GLBA-compliant company. If it is separate, then you'll need to separately comply with GLBA and its related regulations. You may want to consult with an attorney to develop a Privacy Notice that satisfies the specific requirements of the law.

**If the Company finds a prospect uninsurable, I may sometimes take the customer's information and shop it with other carriers. May I do this under the GLBA rules?**

Yes. GLBA allows agents to share health information without specific authorization for normal insurance functions, such as claims administration, underwriting, reinsurance actuarial research and auditing.

**Will I be required to leave additional information regarding our privacy policies with the customer at point of sale?**

No. The Company's privacy statement is included with all new policy packages, along with the Life Insurance Buyer's Guide for policies issued by the Company.

**What if a sale is not made, but I have still collected financial or health related information?**

If you do not disclose protected information to any person other than the principal (company) or its affiliates, you are not required to comply with the Privacy Notice and opt out provisions of GLBA.

**Who do I contact if I have questions about the Privacy rules?**

Questions regarding privacy should be directed to Life & Annuity Compliance.

### State Privacy Laws and Regulations

Individual states are also adopting privacy standards, such as the California Consumer Privacy Act ("CCPA") and California Privacy Rights Act ("CPRA") which apply to consumers who reside in the State of California. Separate notices have been created to supplement the Company's GLBA notice. These notices provide consumers with details on the categories of personal information the Company collects, how the personal information will be used, how the Company shares information, and the various rights available.

### Definition of PII

PII is defined differently by different federal and state laws and regulations, and you are responsible for understanding and complying with all federal laws and regulations and the laws and regulations of the states in which you do business. In general, however, PII includes information a financial institution collects about an individual in connection with providing a financial product or service unless that information is otherwise "publicly available".

PII is:

- Any information an individual gives you to get a financial product or service (for example, name, address, income, social security number, or other information on an application).
- Any information you get about an individual from a transaction involving NLG product(s) or service(s) (e.g., account numbers, payment history, or values).
- Any information you get about an individual in connection with providing a financial product or service (for example, tax documents). PII does not include information you have a reasonable basis to believe is lawfully made publicly available, such as:
  - Federal, state, or local government records made available to the public.
  - Information that is widely distributed in media like newspapers and websites available to the general public on an unrestricted basis, even if the site requires a password or fee for access.

### Definition of PHI

Like PII, PHI is defined differently by different federal and state laws and regulations which you are responsible for understanding and complying with. In general, however, PHI includes health information a financial institution collects about an individual in connection with providing an individual with a financial product or service. Financial entities are required to implement safeguards to ensure confidentiality, integrity, and availability of PHI.

PHI is:

- Any health information an individual gives you to get a financial product or service (for example, filling out a medical questionnaire, biometric-screening, or other information on an application).
- Any health information you get about an individual in connection with providing a financial product or service (for example, medical treatments, medical records, physician exams, or letters).

### Reporting Privacy Incidents Involving PII or PHI

Agents/Agencies must immediately report NLG-related privacy incidents to Life & Annuity Compliance. Privacy incidents include, but are not limited to:

- Information physically mailed to an incorrect recipient.
- Electronic disclosure of private information to an incorrect recipient.
- Stolen laptops containing private information on NLG customers.
- Office break-ins.
- Any unauthorized access to non-public information.

In addition to the above, if you detect unusual activity and believe your identity may have been compromised, please notify NLG immediately by contacting Life & Annuity Compliance.

### File Retention Guidelines

If you sell fixed life insurance and annuity products, your files are subject to inspection by state insurance departments. Retention regulations vary by the state, and it is important for you to be familiar with requirements in the states in which you write business. A good rule of thumb is to maintain the client files for at least seven (7) years after the policy is no longer in force. This will help protect you if there is ever a concern raised about your sale of a life insurance policy or annuity contract. The Company also recommends the following:

- Maintain separate file drawers or file areas for each type of business a customer has with NLG.
- Types of business can be broken down by:
  - Customer name
  - Into “securities products” (stocks, mutual funds, bonds, etc.), “registered insurance products” (variable life or variable annuities), and “fixed insurance products” (whole life, term life, universal life, fixed annuities, etc.)

**Registered Representative Alert:** Registered Representatives associated with FINRA member broker/dealer firms should also follow their broker/dealer’s written supervisory procedures regarding record retention.

### Tips for Success

Information protection practices should be embedded within your client interactions from the start. Make sure you have taken the appropriate precautions in both your physical and electronic environments to safeguard the private information your customers are entrusting you with.

As society continues to shift towards digitization, the risk of identity theft also continues to escalate. When you have a privacy plan in place and you exercise due diligence, you can create good habits that will keep you in compliance with Company policies and state and federal laws to protect yourself and your customers from identity theft. Here are some tips for success:

- Know what information you have, where that data exists, and who has access to it. Allow access only to authorized individuals with a demonstrable need to know.
- Remain aware of your surroundings when discussing private information, and refrain from discussing such information in public places including elevators, restaurants, public transportation, on speaker phones, and while writing or reviewing emails or other written correspondence.
- PII or PHI information should never be used or disclosed to anyone for one's own or anyone else's benefit.
- Do not keep any medical information on clients in your files.
- Only collect & keep necessary data – fact finders, call notes, meeting notes, etc.
- Keep information, including PII and PHI, secure – keep physical material in locked drawers/office, send encrypted emails, double-check email address, purchase anti-virus/spyware programs, and keep your computer locked.
- Properly destroy information – establish record retention policies, shred documents or maintain locked shred bins, and securely erase data from computers/laptops.
- Stay alert and monitor your privacy practices regularly.

### Prohibited Acts

The following actions are expressly prohibited:

- Retaining in any file – physical or electronic – documents that contains personal underwriting (medical/health information) on applicants or insureds (i.e. Attending Physician's Statement, examinations, blood tests, electrocardiograms, inspection reports, etc.).
- Divulging to a third party (without permission) any information obtained through any professional dealings with policyowners or prospects.
- Using an NLG client list to mail/email/call your client for charitable or foundation related invitations or solicitations.

## Cybersecurity Standards

Cybersecurity is more important than ever. With our societal reliance on technology we all need to protect ourselves and ensure our personal and business information is secure from cyber criminals. Taking the appropriate cybersecurity precautions will help protect PII and PHI data theft and/or damage.

### Responsibilities for All Agents/Agencies

- **Antivirus & Anti-Malware:** Agents/Agencies shall ensure all information systems are protected by up-to-date antivirus and anti-malware software.
- **Encryption at Rest:** Agents/Agencies shall ensure all laptops, mobile devices, and removable media (including those owned by agent employees or contractors), used to store, process, or transport NLG data, are encrypted.
- **Encryption During Transit:** Encryption during transit must always be employed when handling NLG confidential data.
- **Cyber Insurance:** While NLG does not require cyber insurance coverage for all Agents/Agencies, NLG highly encourages all Agents/Agencies to maintain adequate cyber insurance commensurate with the possible damage that may be caused by a data breach or other cybersecurity incident. NLG may require cyber insurance coverage for certain Agents/Agencies that meets or exceeds minimum standards established and published by NLG, which NLG may modify from time to time.
- **Audit Rights:** Agents/Agencies shall grant NLG the right to audit Agents/Agencies, upon reasonable notice and at NLG's expense, to verify Agents/Agencies comply with these requirements.

Consistent with New York State cybersecurity regulations, agents appointed with NLIC are required to adhere to additional standards, as noted in this section. Questions on this policy should be directed to Life & Annuity Compliance.

### Responsibilities for NLIC Agents/Agencies, Agent Minimum-Security Standard

#### Purpose

The NLG Agent Minimum-Security Standard ("AMSS") establishes standards, responsibilities and compliance requirements for NLIC's contracted Agents. This AMSS describes NLG's expectations for protecting the confidentiality, integrity and availability of NLG data and assets.

#### Scope

This AMSS applies to all Agents/Agencies contracted with NLIC.

#### Definitions

- **Non-Public Information:** Non-public Information shall mean electronic information, not publicly available, which is "Business Related Information", "Identifying Information", or "Health Information".
- **Business Related Information:** Business Related Information means confidential information which, if accessed in an unauthorized way or tampered with, could have a materially adverse impact on NLG.
- **Identifying Information:** Identifying Information means information about an individual, such as name or other identifier, which in combination with social security number, driver's license number (or non-driver ID number), account number, or credit or debit card number, any security code permitting access to an individual's financial account, or biometric records, which can be used to identify such individual.
- **Health Information:** Information other than age or gender created by or derived from a health care provider that relates to any physical, mental, or behavioral health condition of an individual or his or her family, the provision of health care to the individual, or the payment for health care to any individual.

### Human Resource Security

Information Security Awareness: All contracted Agents/Agencies must take information security awareness training.

### Identity Management, Authentication and Access Control

- **Authentication:** Agents/Agencies shall ensure all access, by employees or contractors, to its information systems, used to provide services or supply products, shall require appropriate authentication controls that at a minimum will include:
  - Unique user ID for each user
  - Strong passwords
  - Reasonable password expiration periods

Multi-factor authentication will be required for remote access to any NLG systems.

- **System Lockouts:** Wherever feasible, time-based screen and system lockouts must be employed.
- **Need to Know:** To protect client confidentiality, Agents/Agencies shall secure all client files and private information, allowing access only to those with a demonstrable need to know.
- **Access Termination:** Agents/Agencies shall develop and maintain a process designed to ensure that user access is revoked upon termination of employment, or contract for contractors. NLG should be notified of an agent's termination.

### Physical and Environmental Security

- **Secure Physical Facilities:** Agents/Agencies shall ensure all their systems and other resources are in secure physical facilities with access limited and restricted to authorized individuals only.

### Information Protection Processes and Procedure

- **Antivirus & Anti-Malware:** Agents/Agencies shall ensure that all information systems are protected by up-to-date antivirus and anti-malware software.
- **Wireless Access Control:** Agents/Agencies shall ensure wireless network access is protected, including at a minimum:
  - All wireless network access over which NLG data will be transmitted will be password protected.
  - Wireless network access for guest access should be segregated from the business network.
- **Patching:** Software publishers often release updates that improve data security. Agents/Agencies must keep software up to date with current officially released versions.

### Data and Privacy Security

- **Encryption at Rest:** Agents/Agencies shall ensure all laptops, mobile devices, and removable media (including those owned by agent employees or contractors) used to store, process, or transport NLG data are encrypted.
- **Encryption During Transit:** Encryption during transit must always be employed when handling NLG non-public data.
- **Use of Third Parties:** Businesses are increasingly utilizing Third Party Customer Relationship Marketing ("CRM"), Marketing, and other outside resources to run their business. No agent is authorized, directly or indirectly, to divulge to a third party without permission, information obtained through any professional dealings with policyowners or prospects. Any potential unauthorized disclosure, distribution, reproduction or use of customer information may cause irreparable harm, and Agents/Agencies must report it to National Life Group's Chief Information Security Officer ("CISO") immediately upon discovery.
  - An exception is made for Third Party IT support vendors that may incidentally have access to the above information.
- **Secure Disposal:** Agents/Agencies shall ensure all media that may be used to store, process, or transport NLG data is disposed of in a secure manner.

- **Unauthorized Disclosure:** Other than to law enforcement or as otherwise required by law, Agents/ Agencies may not make or permit any statements concerning security incidents involving NLG non-public information, information systems or assets to a third-party without the written authorization of NLG's Legal Department.
- **Audit Rights:** Agents/Agencies shall grant NLG the right to audit Agents/Agencies, upon reasonable notice and at NLG's expense, to verify Agents/ Agencies comply with these requirements.
- **Legal and Regulatory Requirements:** Agents/Agencies shall employ technical and organizational security measures no less strict than is required by applicable regulations and laws.
- **Cyber Insurance:** While NLG does not require cyber insurance coverage for all Agents/Agencies, NLG highly encourages all Agents/Agencies to maintain adequate cyber insurance commensurate with the possible damage that may be caused by a data breach or other cybersecurity incident. Independent Agents/Agencies receiving data feeds directly from NLG and placing business totaling more than \$500,000 in WNAP annually, as well as all Affiliated Agents/Agencies, are required to maintain cyber insurance that meets or exceeds minimum standards established and published by NLG, which NLG may modify from time to time.

### Exceptions

- Any exceptions to this policy must be approved by the CISO, or an appointed delegate.

### Tips for Success

- Protect your devices (laptop, phones, computers) with complex passwords and maintain current, up-to-date antivirus and anti-malware software that can detect potential intrusions.
- Beware of malicious emails and phishing campaigns seeking to exploit either yours or your customer's PII or PHI and/or infect your devices.
- Be aware of "Social Media Hygiene". Social Media posts often include information that is specific to a person and may be valuable if fallen into the wrong hands. This information could be used by bad actors to potentially compromise your identity, such as potential answers to authentication questions (pet names, children's birthdates, spouse nickname, favorite color, etc.).

# Fraud & Financial Crime Prevention

## Antifraud/Special Investigation Unit ("SIU")

Fighting fraud is crucial to the success of NLG. The Company's Antifraud program is designed to protect the client, you, and NLG against possible loss. Fraud is more than financial or personal information loss to the victim; there are also intangible losses such as the sense of well-being and security.

The bottom line is our customers trust NLG and you, their agent, to keep their information safe.

### Definition of Fraud

Wrongful or criminal deception intended to result in financial or personal gain.

### Types of Fraud

There are many types of fraud you or NLG may encounter, such as:

- **Inforce Policy Fraud:** Including identity theft, account takeovers, romance scams, money laundering, familial fraud, and financial exploitation and abuse.
- **New Business Fraud:** Including synthetic IDs, Fraud Trend Family (or "Nomadic Fraud"), advanced commission schemes, ghost writing, clean sheeting, and application misrepresentation.
- **Claims Fraud:** Including death claim fraud and accelerated benefit rider ("ABR") fraud.
- **Sales Fraud:** Including rebating or kickbacks, or gifting in some states.

At the end of this Manual is a Glossary describing in more detail the fraud terminology used above.

### Forgery

Things sometimes may get missed on an application or other paperwork. In the interest of providing great customer service to your client, you call them and get their permission to make changes and add their initials or signature to the document. On the surface, this seems reasonable; however, even by following your client's wishes, you just unknowingly committed forgery. The potential consequences can range from having your appointment terminated with NLG to criminal prosecution.

## Financial Exploitation & Abuse of Seniors or Vulnerable/Dependent Adults

Both senior citizens (typically 65 and older) and vulnerable/dependent adults (ages 18-64) are targets for financial exploitation and abuse because they are often socially isolated and live alone, often are physically or financially dependent on care from others, may be afraid or embarrassed to report trusted parties, may be grieving the death of a loved one, or may suffer from cognitive impairment and do not understand or recognize the financial exploitation and abuse.

### Definition of Vulnerable/Dependent Adult:

Individuals, ages 18-64, who have physical or mental/cognitive limitations which restrict their ability to carry out normal activities or to protect their rights.

### Red Flags

Although you are not expected to diagnose mental or cognitive impairment, you are in a unique position to observe potential "red flags" of financial exploitation and abuse. These red flags may appear in the client's behavior and/or their financial activity, including, but not limited to:

- Other individuals, such as a family member or caregiver, who seem to be making all the decisions for the client.
- The client shows an unusual degree of fear or submissiveness toward a caregiver.
- The client is unable to remember facts, maintain a conversation, follow directions on completing paperwork, or forgets appointments.
- Uncharacteristic non-sufficient funds activity or lapses in premium payments.
- Disregard for penalties when requesting withdrawals or surrenders.
- Abrupt changes to financial documents, such as a new power of attorney, or a change in ownership or beneficiary.
- Withdrawals/loans taken from the policy soon after changing ownership.
- Unsuitable product sales or replacements.
- High pressure sales tactics.

You must report any reasonable suspicion of suspected financial exploitation or elder abuse to the SIU. All reports will be documented, researched, and stored confidentially.

**Registered Representative Alert:** Registered Representatives associated with FINRA member broker/dealer firms should also follow their broker/dealer's written supervisory procedures.

## Reporting Suspected Fraud Cases

It is the responsibility of all agents to immediately report any reasonable suspicion of fraud, including financial exploitation and abuse, to the SIU for investigation and reporting to the appropriate authorities.

### Definition of "Reasonable Suspicion"

An objectively reasonable suspicion a person would entertain, based on facts, that could cause a reasonable person in a like position, drawing upon his or her training and experience, to suspect fraud, including financial exploitation and abuse.

The Company's SIU team is staffed with individuals who are qualified and trained to investigate cases of potential fraud. If you see something, say something by contacting the SIU at SIU@nationallife.com or at (802) 229-3129 or by calling the Company's EthicsLine at (833) 254-4249.

### Tips for Success

We have identified five considerations for fraud prevention we feel will go a long way to protect you as you conduct your business:

- Field Underwriting Responsibility
  - Understand your responsibility to perform proper field underwriting. You are in the position to know the customer best. If you notice or become aware of any answer on the application or during the application process that does not appear accurate, please contact NLG so additional underwriting steps may be taken, and do not deliver a policy until that process is complete.
- Understand the NLG Compliance Manual
  - This Manual is meant to guide you in the conduct of your business and certain conduct that is expressly prohibited. This Manual will help protect you while selling NLG insurance products.
- Pay Attention to Your Digital Footprint
  - Agents must take appropriate action to protect their devices (telephones, computers, etc.) and the data contained on those devices including your data and customer data. Refer to the Privacy and Cybersecurity Standards sections within this Manual for additional guidelines.
- Beware of Malicious Email & Phishing Campaigns
  - Malicious email and phishing campaigns have continued to evolve in sophistication and may appear legitimate. Carefully evaluate each email you receive, and take appropriate action to delete or confirm the validity of any suspicious emails directly with the sender.
- Ask Yourself, is this Too Good to be True?
  - If a situation appears to be "Too Good to be True", it probably is. When faced with a situation like this, take a step back and ask yourself that question. If the answer is "yes", you may want to reconsider the intended path. Contact the SIU with your concerns, and we will be able to provide you with additional guidance.

## Prohibited Acts

NLG expressly prohibits all fraudulent conduct, including, but not limited to, the following acts of fraud:

- Signing as a “witness” to any person’s signature on any application or other document relating to the Company’s business unless that signature is done in your presence.
- Signing an application when you were not present for the presentation and sale of the product.
- Changing a policyowner’s address of record to your home or business address unless the policyowner is an immediate family member. This includes having policyowner billing notices sent directly to you or the agency unless the policyowner is an immediate family member.
  - An immediate family member is defined as a spouse, parents, grandparents, children, grandchildren, siblings, in-laws (mother, father, brother, sister, daughter, and son). Adopted, half, and step members are also included in the definition of immediate family.
- Changing a policyowner’s address of record with or without the policyowner’s knowledge or consent.
- Submitting any application, questionnaire, or other document containing information you know, or have reason to believe, is not complete and accurate.
  - This includes using your own address, email, or phone number on applications unless you are the owner; and
  - Completing and submitting an application or other documents, or using the client’s information, without the client’s review of the application or other documents and express authorization.
- Depositing client premium payments into your personal or business account.
- Paying or offering to pay any amount or provide anything of value as an inducement to a person to buy a policy. This includes rebating a portion of the commission on a sale.
- Paying premiums or repaying loans on behalf of a policyowner from your personal or business account, unless the policyowner is an immediate family member.
- Impersonating your client or any policyowner in any way, including phone calls made to the Company and web portal registrations.
- Conducting any unauthorized action on the policyowner’s account, including by not limited to loans, redemption, purchases, or redirection of dividends.

While not an exhaustive list of acts that may constitute forgery, you should become familiar with the following list of acts NLG expressly prohibits to avoid committing an act of forgery:

- Signing the name of another person (applicant, insured, policyowner, beneficiary, assignee, etc.) whether or not permission has been granted. This includes initialing documents and affixing the person’s eSignature, which must always be done by the person whose initials or eSignature is called for.
- Requesting or retaining blank forms signed by an applicant or client.
- Adding, deleting, or changing any information on any document after the applicant, insured, policyowner, beneficiary, assignee, etc. has signed the form attesting to its completeness and accuracy. This specifically includes, without limitation, answers to questions posed on a policy application.
- Endorsing, depositing, cashing, or otherwise negotiating any check drawn to the Company’s order or the order of any payee other than yourself.
- Opening any bank account in the Company’s name, or signing the Company’s name in any circumstance, or having any checks or promissory notes printed with the names of NLIC, LSW, NLG or any other common variation of these company names.

## Anti-Money Laundering

As an agent, you play an important role as a Field Underwriter to report what you know about your customer, their reason for purchasing an NLG product, and their source of funds. The U.S. Government enacted the USA Patriot Act (the “Act”), which is aimed at countering terrorism by placing requirements on all financial services companies to ensure they do not conduct business with terrorists. The Act strengthens anti-money laundering (“AML”) laws, enhances penalties for violations, and grants new enforcement and surveillance capabilities.

The Act has two key sections for life insurers. The first is § 326 – Verification and Identification – also referred to as “know your customer”. The Company must take steps to ensure that its insureds, policyowners, and beneficiaries are not persons or companies listed on the U.S. Treasury’s Office of Foreign Asset Control (“OFAC”) “Specially Designated Nationals and Blocked Persons List”. The Company has developed procedures and purchased software specifically to ensure OFAC monitoring is fulfilled.

The second section of significance of the USA Patriot Act is § 352 – Anti-Money Laundering Programs. Under this section, companies are required to designate a compliance officer, establish written policies, procedures and controls, establish a system of ongoing employee and agent training, and establish an independent audit function.

### Training Requirements for Agents

As required, all new agents must complete AML training as part of the appointment process, and all existing agents must complete training biennially to remain appointed with NLG. This training is provided by the Company and must be completed within the required timeframe as communicated to you.

### Money Laundering Red Flags

Be sure to ask enough questions to know your prospect’s or customer’s situation and the source of his or her funds. Products with cash value components are of particular risk. The following is a list of “red flag” activities that may be indicative of a potential money-laundering situation:

- Patterns of surrendering policies during the right to review/free-look period.
- Patterns of loans on policies, or multiple usage of cash equivalents for premium payments on a policy.
- Account with inflows of funds or other assets well beyond the known income or resources of the customer.
- A customer who exhibits a lack of concern for surrender charges.
- A customer who maintains multiple accounts or maintains accounts in the names of family members, or corporate entities, for no apparent business or other valid reason.
- Payment of a large amount is broken into small amounts.
- A customer who wants to pay large premiums in cash and claims to not have a checking account.
- Little or no concern by a customer for the performance of an insurance product, but significant concern about the early termination features of the product.

If NLG becomes aware of activity that indicates possible money laundering, we may reach out to you with questions. If this occurs, it must be treated with the utmost confidentiality and may not be shared with anyone else, including your client. If you have suspicions about possible money laundering, you are required to report it immediately to Life & Annuity Compliance.

**Registered Representative Alert:** If you are a Registered Representative, you must also comply with your broker/dealer’s AML requirements.

## Gifts and Rebating

“Rebating” is defined as giving to an insured a portion of the premium paid by the insured or the agent’s/ broker’s commission, or the use of other inducements, such as gifts, services, or discounts, to place business with a specific insurer.

Rebating is illegal in most states and is prohibited entirely by NLG to allow for competitive fairness. Typically, state regulations stipulate, **“no insurer or agent shall pay, allow, give or offer to pay as an inducement with the purchase of any policy of life insurance or annuity contract, any valuable consideration or inducement whatsoever that is not specified in such policy or contract.”** This language clearly prohibits offering an insured an inducement or any valuable consideration the insurance policy or annuity contract does not provide under its terms.

Rebates and referral fees include not only cash but personal services and gifts of value. This means only gifts of nominal value may be given to prospects or clients, and the prospect or client is under no obligation to listen to a sales presentation or buy a policy or contract because of the gift. Each state sets limits on the value of gifts considered nominal. If a gift of nominal value is offered, it must be given to the prospect if they request it, regardless of whether or not they listen to a sales presentation. Check the regulations for the states in which you are licensed and appointed to solicit business or contact Life & Annuity Compliance with any questions.

# New York Addendum

The State of New York has several regulations that vary from other states. The New York Addendum is meant to provide additional guidance to those agents who are licensed and appointed to solicit business in New York.

NLIC is the only member of NLG authorized as an insurer in the State of New York. As such, the following applies only to business written on New York residents on NLIC paper. It is prohibited to write an LSW policy on a New York resident as LSW is not authorized to conduct business in New York.

### Regulation 60 – Replacement of Life Insurance Policies & Annuity Contracts

Originally introduced in 1971, New York Insurance Regulation 60 (“Replacement of Life Insurance Policies and Annuity Contracts”) serves to protect consumer best interest. Although Regulation 60 has been revised several times, including a substantive revision in April 2015, the core purpose remains the same. Agents must take steps to ensure consumer best interest is protected, especially when a replacement is or may be involved in a life insurance or annuity transaction. This includes:

- Completing the **Definition of Replacement** (Form 7717) for each application executed in New York to determine if a replacement is or may be involved in the transaction, providing a completed copy of this form to the consumer, providing a completed copy of this form to NLIC, and keeping a completed copy of this form for your records.
- If it is determined a replacement is not and will not be involved in the transaction, your responsibilities under Regulation 60 are complete.
- If it is determined a replacement is or may be involved, you must:
  - Read and present a copy of the **IMPORTANT Notice Regarding Replacement** (Form 8027NY) to the consumer at the time of application; and
  - Begin preparing the **Disclosure Statement** (Form 7289NYA, 7289NYB, or 7289NYC, depending on the products involved) which compares the consumer’s existing policy or contract to the proposed policy or contract. To prepare the Disclosure Statement, you must contact the existing insurer to gather information about the existing policy or contract.

- Be sure to complete each question on the Disclosure Statement. No field should be left blank, and “N/A” should only be used when something is truly “not applicable” (e.g., don’t use “N/A” in place of “\$0” when discussing a policy with no surrender charge).
- Make sure you use dollar values where dollar values are appropriate (even if the dollar value is zero).
- Use the “Agent/Broker Statement” section to provide detailed responses that can assist NLIC in its suitability review. The more detailed facts you can provide, the better.
- If there is a surrender charge applicable to either the existing policy/contract or the new policy/contract, disclose it in the “Remarks” section, in addition to the field specified for this amount.
- Disclose the upfront load applicable to NLIC Indexed Universal Life (“IUL”) products in the “Remarks” section if the replacing policy is an IUL.
- Remember, an illustration is sales material and should be listed when answering the “Sales Material” question on the Disclosure Statement. As indicated in the Illustrations sub-section below, illustrations are required for NLIC life insurance sales in New York.

Regulation 60 works in conjunction with Regulation 187 (discussed later in this Section) to ensure replacement is recommended only when replacement is absolutely necessary. All alternatives should be considered prior to recommending replacement, as replacement is rarely in the best interest of the consumer. If replacement is identified as the most suitable option for the consumer and determined to be in their best interest, the reason for this determination should be documented and submitted with the application. You should also keep a copy of this documentation in your files.

Additionally, in 2016 New York Circular Letter 2016-7 (“Unsuitable Deferred-to-Immediate Annuity Contract Replacements and Betterment of Rate Calculations”), was issued to remind “producers, insurers and the general public of the requirements, obligations and expectations set forth by New York statutes and regulations in the sale or replacement of annuity products,” especially when replacing a deferred annuity contract with an immediate annuity contract.

When recommending this type of transaction, consider what income options are, and how much regular income under the selected income option is available to the consumer under both the existing deferred annuity contract and the proposed immediate annuity contract. Remember to use the Disclosure Statement to disclose exact details about what makes the immediate annuity contract more suitable than the existing annuity contract and what advantages the existing annuity contract provides over the proposed annuity contract. Replacing a deferred annuity contract with an immediate annuity contract is rarely in the best interest of the consumer.

For additional information specific to NLIC’s stance on replacements and information on how they are processed, please review the **Position Statement on Replacements** available on the Agent Portal of the NLG website.

### Regulation 74 – Life & Annuity Cost Disclosure and Sales Illustrations

Since 1999, New York Insurance Regulation 74 (“Life and Annuity Cost Disclosure and Sales Illustrations”) has provided standards for the content, format, and use of illustrations. To comply with certain elements of Regulation 187 (discussed later in this Section), NLIC requires an illustration accompany each life insurance application. As required by Regulation 74 and NLIC:

- The illustration must be signed by the consumer and the agent at, or prior to, completion of the application.
- A copy of the illustration must be left with the applicant.
- The illustration must be submitted with the application to the insurer.

If the policy is issued other than as applied for, a revised illustration must be provided to the consumer no later than the time of policy delivery. The revised illustration will be created by the Company and must be signed and dated by the policyowner and the agent no later than the time of policy delivery.

#### When using an illustration:

- Represent the policy as a life insurance policy.
- Clearly explain the guaranteed elements of the policy – while the non-guaranteed elements should be disclosed to the consumer, it is important you focus on the guarantees. Ensure the client understands guarantees extend to the claims-paying ability of the Company.
- When discussing the non-guaranteed elements, highlight the fact actual results may be more or less favorable than shown in the illustration and the non-guaranteed elements are subject to change by the insurer.
- Provide a copy of the full illustration, with all pages, to the client – it is not considered complete otherwise.

Regulation 74 also requires prospective life insurance purchasers receive a copy of the Life Insurance Buyer’s Guide.

## Regulation 187 – Suitability & Best Interest in Life Insurance and Annuity Transactions

In July 2018, New York Insurance Regulation 187 (“Suitability and Best Interest in Life Insurance and Annuity Transactions”) was amended and renamed to provide a “best interest” standard on recommendations involving life insurance and annuity products and works in conjunction with Regulation 60 in the event of possible replacement. The regulation became effective August 1, 2019, for annuity contracts and February 1, 2020, for life insurance policies.

The amended regulation expands the definition of “suitability information” to include the following:

- Intended use of the annuity, including any riders attached.
- Financial time horizon, including the duration of existing liabilities and obligations.
- Willingness to accept non-guaranteed elements in the policy, including variability in premium, cash value, death benefit, or fees.
- Any other information provided by the consumer which in the reasonable judgment of the producer, or insurer where no producer is involved, is relevant to the suitability of the transaction.

**Remember:** You must focus on the guaranteed elements of a transaction during the solicitation process. While you may highlight the non-guaranteed elements, they are not guaranteed and should be noted as such. For more information on this, review the preceding section on Regulation 74.

Agent Responsibilities have also been expanded to include product training as well as Best Interest Rule training.

It’s also the agent’s responsibility to disclose the following to an applicant prior to recommendation:

- When an insurer and its agent have a captive relationship (either directly or through performance/sales requirements) but where, under certain circumstances, the agent sells products of another insurer (Form 20659, **Disclosure Pursuant to New York Regulation 187**).
- Various features of the policy and potential consequences of the sales transaction, both favorable and unfavorable.

The **New York Suitability Disclosure Checklist** (Form 20660) is designed to help agents ensure they comply with the requirements of Regulation 187.

As of the publication date of this Manual, the validity of Regulation 187 remains in question. On April 29, 2021, the Appellate Division of the New York State Supreme Court struck down the revised Regulation 187. The New York Department of Financial Services has appealed that decision to the New York Court of Appeals, which will make the final decision concerning the validity of the regulation. The regulation remains in force pending the decision of the Court of Appeals, and you must ensure your compliance with the regulation unless and until the Court of Appeals deems the regulation invalid.

## Sale of Unapproved Insurance Policies or Contracts to Residents of New York

In 2011, Circular Letter 2011-6 (“Sale of Unapproved Insurance Policies or Contracts to Residents of New York”) was issued to remind insurers about the requirement for life insurance policies and annuity contracts sold to New York residents, regardless of the applicant’s physical location at the time of application. These sales must be issued by New York authorized insurers only. NLIC is the only NLG insurance company authorized to do business in New York. This means New York residents cannot be sold LSW products, even if the consumer is not physically in New York at the time of application. As outlined in the **Life Insurance Underwriting Guide**, when soliciting a sale to a client in a state other than their state of residence, there must be an acceptable nexus, the product must be available in both states, and you may need to be licensed and appointed in both states. Specific to New York resident applicants, because LSW products are not available for sale in New York, we cannot accept an LSW application submitted on a New York resident.

For more information on soliciting sales from the resident of one state while in another state, please see the **Life Insurance Underwriting Guide** available on the Agent Portal of the NLG website, and the “Non-Resident Sales/State Nexus” Section of this manual.

# Appendix

### NLG Website Information

The following information is available on the Agent Portal of the NLG website. The Life & Annuity Compliance page is continuously updated. We encourage you to refer to it on an ongoing basis:

<https://www.nationallife.com/agent/training/compliance/nl-group-compliance>

Among the topics discussed:

- State by state copies of advertising and unfair trade practice regulations
- Replacement policy
- “Do Not Call” rules and access to the National Do Not Call list
- Advertising Review Process
- Advertising Review Checklist
- Compliance Review Request Form
- Anti-money laundering information
- Policy delivery procedures
- Fixed & traditional annuity suitability procedures

### Links to Referenced Documents

Links to these documents can also be found on the Life & Annuity Compliance page on the Agent Portal of the NLG website.

- Accepting Remote Applications
- Advertising Guidelines for Agents and Registered Representatives
- Approved Designations
- Compliance Review Request Form
- Consumer Profile Information
- Customer Policy Payments
- Cyber Insurance Recommendations & Requirements
- Definition of Replacement (Form 7717)
- Disclosure Pursuant to New York Insurance Regulation 187 (Form 20659)
- Disclosure Statement (Form 7289NYA, 7289NYB, or 7289NYC)
- Life Insurance Underwriting Guide
- Foreign National Guidelines
- How to Connect with National Life Group Corporate Accounts
- IMPORTANT Notice Regarding Replacement (Form 8027NY)
- Instructions for using Email for Marketing or Recruiting Purposes
- Military Sales Policies & Procedures
- National Life Group Social Media Compliance and Advertising Policy
- National Life Group Social Media Playbook
- Navigating a Smooth Ride Through Annuity Suitability
- New York Suitability Disclosure Checklist (Form 20660)
- Position Statement and Guidelines for Annuity (Best Interest) Suitability
- Position Statement and Guidelines for Replacements
- Telephone Solicitation and Telemarketing Guidelines

### Other Websites of Interest

[www.naic.org](http://www.naic.org) – Home page of the National Association of Insurance Commissioners. This site contains information about issues currently under consideration by the NAIC, informational consumer publications and links to every state department of insurance websites.

[www.acli.com](http://www.acli.com) – Home page of the American Council of Life Insurers. This general public site includes consumer information about life insurance and general consumer publications.

[www.naifa.org](http://www.naifa.org) – Sponsored by the National Association of Insurance and Financial Advisors, formerly known as the National Association of Life Underwriters, this site is for insurance professionals but also contains consumer information about life insurance and agents.

[www.lifehappens.org](http://www.lifehappens.org) – Educational site offering information on life, health, and disability income insurance; sponsored by the Life and Health Insurance Foundation for Education.

[www.finra.org](http://www.finra.org) – Official web site of the Financial Industry Regulatory Authority (FINRA) (formerly the regulatory division of National Association of Securities Dealers [NASD]), the financial industry self-regulatory body. Provides information on virtually all issues related to registered products, licensing, advertising regulations, disciplinary actions, etc.

[www.sec.gov](http://www.sec.gov) – Official website of the Securities and Exchange Commission (“SEC”), the regulatory agency of the U.S. government. The SEC oversees the key participants in the securities world, including securities exchanges, securities brokers and dealers, investment advisors, mutual funds, state securities regulators, and various private sector organizations.

### Do Not Contact Resources

- FTC, Q&A For Telemarketers & Sellers About DNC Provisions in TSR, accessed 2/4/2022; <https://www.ftc.gov/tips-advice/business-center/guidance/qa-telemarketers-sellers-about-dnc-provisions-tsr>
- FTC, CAN-SPAM Act: A Compliance Guide For Business, accessed 2/4/2022; <https://www.ftc.gov/tips-advice/business-center/guidance/can-spam-act-compliance-guide-business>
- FCC, Public Notice DA 16-1299, 11/18/2016; <https://www.fcc.gov/document/enforcement-bureau-issues-robotext-advisory>

# Glossary

## Fraud Terminology

- **Churning** – Agent replaces a policyholder’s policy with another policy from the same insurance carrier or another insurance carrier that is not in the best interest of the customer (fees, withdrawal charges, etc.).
- **Twisting** – Agent replaces a policyholder’s policy with another policy from a different insurance carrier utilizing misrepresentations (coverage A is better than coverage B) that is not in the best interest of the customer.
- **Cross Border Sales** – When a policy is sold and issued outside of the state in which the customer resides or to which the customer does not have a verifiable nexus, or when the insurance product sold is not available in the customer’s state of residence. Some states require that only products approved in their state be sold to residents.
- **Application Fraud / Misrepresentation** – Agent or customer fills out an application with false information or omits known information in order to obtain insurance, including more favorable coverage amount, policy benefits or premium rates. Sub-categories of Application fraud include:
  - **Clean Sheeting/Medical Misrepresentation** – Agent or customer fails to disclose pre-existing medical conditions in order to obtain a policy.
  - **Application Misrepresentation** - Agent or customer misrepresents a non-medical material fact (age, income, etc.) in order to obtain more favorable terms.
  - **Advanced Commission Schemes** – Agent submits business with inaccurate or false applicant data or without applicant’s consent, to receive advance commissions at application submission, with no intent on paying premiums.
  - **ID Theft** – Deliberate use of someone else's identity/personal information to open a new policy without the customer’s knowledge or consent.
- **Synthetic Identity** – A form of identity fraud in which a criminal combines real and fake information to create a new identity that does not tie to a single real person and then uses the synthetic identity to obtain life insurance or annuity coverage, with the intent of stealing policy benefits at some future point.
- **Fraud Trend Family/Nomadic Fraud** – Fraudulently obtained life insurance policies that are written on members of a nomadic group with significant undisclosed health histories through various forms of concealment or misrepresentation of material information on the application in order to outlive the policy contestable period so that the beneficiaries can submit a death claim.
- **Stacking** – A policyholder obtains multiple smaller policies to increase coverage while submitting applications that do not require underwriting review, specifically under policy limits for medical, to conceal a material fact.
- **STOLI/IOLI (Viatical Sales)** – A stranger, investor or series of investors, purchase a life insurance policy without any insurable interest in the life of the insured with an outcome to benefit the stranger, investor or series of investors.
- **Ghost Writing** – An active agent, prior terminated agent, or an unlicensed individual completes a life or annuity sale and submits the application documents to the insurance company under another licensed and appointed agent to obtain commissions. The appointed agent is often aware the activity is occurring and is complicit in the fraud.
- **Premium Theft** – Policyowner or premium payor writes check(s) for premiums made out to the agent, or provides cash or cash equivalents for the premiums to the agent, and the agent steals the premiums for their own personal gain instead of sending the premium to the insurance company.