NORTH AMERICAN®
A Sammons Financial Company

North American Company for
Life and Health Insurance®

# Compliance guide for producers



# Table of Contents


**I. Introduction** ..... 1
**II. Fair Competition** ..... 1-2
**III. Marketing Considerations** ..... 2-9
Professional Designations, Titles, and Tax Advice ..... 2
Senior-Specific Certifications and Professional Designations ..... 3
Selling Appropriately and Accurately ..... 3
Practical Matters to Consider with Senior Customers and Vulnerable Adults ..... 4
Advertising Guidelines and Review ..... 5
Annuity Illustrations ..... 6
Life Insurance Illustrations ..... 6
Revised Life Insurance Illustrations ..... 6
Marketing by Telephone and "Do Not Call" ..... 7
Marketing by E-mail ..... 7
Social Media ..... 8
Seminar Selling and Lead-Generating Material ..... 8
Wills, Trusts, and Medicaid Planning ..... 8
Annuity Ownership Requirements ..... 9
**IV. Application and Producer Solicitation Guidelines** ..... 10-12
Customer Signatures ..... 10
Powers of Attorney – Verification of Identity ..... 10
Producer Signatures ..... 11
Fact Finding, Needs Analysis, and Documentation ..... 11
Anti-Selection ..... 11
Annuity Suitability ..... 12
Non-Resident Sales ..... 12
**V. Replacements** ..... 13-15
A Replacement can be Internal or External ..... 13
Your Replacement Obligations ..... 13
Churning/Twisting is Prohibited ..... 14
Monitoring of Replacement Activity ..... 15
**VI. Policy/Contract Delivery and Receipt Requirements** ..... 15
Free Look ..... 15
**VII. Document Retention** ..... 15-16
**VIII. Privacy and Information Security** ..... 16-17
Producers' Personal Information ..... 17
**IX. Consumer Complaints** ..... 17-18
**X. Anti-Money Laundering Compliance** ..... 18-20
**XI. Prohibited or Restricted Practices** ..... 20-22
Rebating is Prohibited ..... 20
Stranger- and Investor- Owned Life Insurance ..... 20
Premium Financing ..... 21
Conflicts of Interest are Prohibited ..... 21
Customer Loans are Prohibited ..... 21
Serving as an Expert Witness is Prohibited ..... 22
Mortgage and Refinancing ..... 22
Use of Customer Statements in the Sales Process ..... 22
Impersonations ..... 22
Use of Faith/Religion in Advertising ..... 22
**XII. Additional Important Information and Instructions** ..... 22-24
Index Account Allocations ..... 22
Pre-Issue Withdrawals ..... 23
Producer Licensing and Contracting ..... 23
State-Specific Rules and Regulations ..... 23
Errors and Omissions Coverage ..... 23
Producer Education Requirements ..... 23
Adverse Action ..... 24
**XIII. Conclusion** ..... 24

# I. Introduction

North American takes great pride in being an industry-leading provider of life insurance and annuities for our distribution partners and the customers who purchase our products. We are committed to following fair and ethical principles in the sale of life insurance and annuities, and as an independent producer contracted to represent North American, we believe you share in this commitment.

It is important that you are fully aware of the applicable laws and regulatory requirements that affect our industry. We believe following high standards of market conduct strengthens our competitive advantage and enables you to focus on developing relationships with customers to offer them appropriate products and services.

We are providing this Compliance Guide to help you remain informed and aware of North American's policies and your role as an independent sales producer. These policies may periodically be superseded by regulatory announcements and other communications from the Company. By accepting appointment with North American, you are consenting to comply with applicable state and federal regulatory requirements and to adhere to Company policies and procedures.

All insurance producers must understand and comply with the state and federal laws that apply in the jurisdictions where they do business. In states that have not yet adopted laws and regulations regarding a particular topic, it is prudent for producers doing business in those states to adhere to the standards set forth in model laws. Producers are encouraged to review state insurance regulator websites for specific information.

Demonstrating the highest ethical standards in all dealings with the Company and customers is essential to the relationship we have with you. Violations of regulatory requirements or Company policies may result in action up to and including termination of your contractual relationship with the Company.

You may access this Compliance Guide any time online through the agent portal at northamericancompany.com in the Training Center.

# II. Fair Competition

North American will engage in active and fair competition and believes that such competition is the most effective and efficient means of providing products and services to customers. Such competition, however, must be carried out in a manner consistent with applicable laws, including those that exist to preserve a competitive economy in which free enterprise can flourish. North American supports the purposes of such laws and insists that producers act in full compliance with applicable federal and state statutes and regulations governing trade practices, antitrust, and restraint of trade. North American and its producers will:

- Comply with applicable state and federal laws fostering fair competition;
- Refrain from using or producing any manner of misrepresentative or false advertising;
- Refrain from 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 which is false or maliciously critical of, or derogatory to the financial condition of an insurer, for the purpose of injuring any person or insurer engaged in the business of insurance;
- Refrain from entering into any agreement to commit or by any concerted action committing any boycott, coercion, or intimidation resulting in an unreasonable restraint or monopoly in the business of insurance;

- Make no agreement or understanding with competitors to fix or control prices, to allocate products, markets or territories, to boycott certain customers or suppliers, or to refrain from or limit the sale of any product; and
- Avoid replacing existing life insurance policies and annuity contracts without meeting the requirements of applicable federal and state law, or without providing information to the customer that he or she needs in order to ascertain whether replacement of existing contracts may be in his or her best interest.

Except as set forth above, in order to meet the requirements of applicable state and federal law, North American will compete freely and actively in markets or market segments determined by its management to be appropriate and consistent with its marketing plans and goals, both financially and in the marketplace. A violation of the above guidelines by any producer will result in action including, if appropriate, termination of his or her contractual relationship with the Company.

## III. Marketing Considerations

### Professional Designations, Titles, and Tax Advice

The nature of our business requires a high degree of transparency and accuracy in how we present our professional credentials to the public. Certain state solicitation regulations require that, prior to a sales presentation, you inform a prospective purchaser that you are an insurance producer and disclose your full name. When soliciting the sale of North American products, be certain your customers understand what capacity you are acting in. It is your responsibility to know and comply with each respective state's regulatory requirements for all states in which you conduct business.

Much of what insurance producers do is involved with the planning and advising on financial matters; however, from a regulatory perspective, "financial planning" requires qualifications, knowledge, and coordination of products and services that goes far beyond the training and education required of producers limiting their offerings to fixed and variable insurance products. Accordingly, during the sale of a North American product, you may not use the following or similar titles in such a way as to imply that you are generally engaged in an advisory business in which fee-based compensation is unrelated to sales, unless that is actually the case and you are properly registered as an investment advisor representative.

- "financial planner"
- "investment advisor"
- "consultant"
- "financial counselor"

Note that this prohibition is not intended to preclude persons who hold some form of formal recognized financial planning or consultant designation from using the designation even when they are only selling insurance; however, **producers are not permitted to charge a fee for services that are customarily associated with the solicitation or servicing of a life insurance policy or annuity contract**.

Practice good judgment and encourage your customers to consult with other professionals on matters that you are not qualified and/or licensed to discuss, such as matters pertaining to legal or tax issues. While you may discuss the general tax treatment of the Company's products, you should not offer or be viewed as offering tax, legal or investment advice for specific circumstances, unless you are qualified and authorized as such and clearly disclose to the customer that you are acting in that capacity and not as a producer of North American. The Company will not be responsible for any tax consequences that may arise or result from any transaction.

## Senior-Specific Certifications and Professional Designations

Professional designations used to solicit insurance products, particularly designations that imply an insurance producer has achieved special expertise in the area of financial planning and/or are related to senior markets, have come under heightened scrutiny from various state and federal regulators. The focus is primarily on designations that lack substance and/or are awarded to any person who pays a fee or completes a minimal amount of study.

The National Association of Insurance Commissioners ("NAIC") has adopted its Model Rule on the Use of Senior-Specific Certifications and Professional Designations in the Sale of Life Insurance and Annuities, and various states have enacted the rule or their own version of it. These laws seek to protect consumers from producers who misrepresent their level of expertise in marketing and sales activities related to life insurance and annuities.

In order to prevent the use of designations that lack substance, incorrectly imply expertise in the special needs of seniors, and/or are issued by organizations primarily engaged in marketing or sales instruction, North American requires that all designations must be approved prior to use on all advertising, including but not limited to mass mailings, business cards, email signatures, letterhead, seminar presentations, and websites, and in relation to solicitation of the Company's products.

The Company has developed a limited list of approved designations associated with the business of insurance, and producers who have properly earned an approved designation(s) may use such designation(s) in relation to the advertising and solicitation of North American products.

To review a list of currently approved designations, please refer to our website, northamericancompany.com. You will find the Professional Designations list in the Training Center under Compliance Information. Please be certain to keep any sales materials and website(s) that you maintain current and compliant.

North American may evaluate designations and certifications that represent a meaningful achievement through sufficient coursework, examinations and experience, and which are issued and accredited by nationally recognized organizations, for use in advertising on a case-by-case basis. Questions or requests for review should be submitted to the North American Advertising Review department at AdReview@sfgmembers.com.

## Selling Appropriately and Accurately

Products change quickly in today's marketplace. **Make sure you understand the benefits and features of the products you are recommending.** Make clear and competent presentations to be sure your customers understand how the product you are recommending works and how it will address their needs and objectives.

You are required to carefully consider each customer's circumstances and future expectations when making product recommendations. While we expect you to customize your sales presentation to fit particular customers, it is essential that you describe product features – including limitations and charges – accurately and clearly. We strongly recommend you refer to the product brochure and any required disclosure statements to assist you in describing product features. These documents are worded to describe the way the product works in language that your customer will likely understand. **Many state insurance regulations requires that a copy of the product brochure and all other sales materials must also be left with the customer.**

## Practical Matters to Consider with Senior Customers and Vulnerable Adults

There are many important matters to consider when dealing with senior customers and vulnerable adults. Although the following guidelines are not comprehensive, they do illustrate some points to consider. Selling life insurance or annuities to seniors requires special care and diligence. Senior Protection legislation has been adopted in most states. Along with suitability, replacement and consumer protection laws, this legislation generally provides broad protection to seniors. North American producers are expected to be familiar and comply with the applicable laws of the states in which you conduct business.

Although producers cannot be expected to "diagnose" mental or cognitive impairment, those who work with senior customers and vulnerable adults should always be alert to issues regarding the competency of the customer. It is unethical to sell insurance products to a person who appears to suffer from mental impairments and cannot understand the basic features of the products. It is also against the law in many, if not all, states.

Various indicators can be used in determining whether the prospective insured may have diminished capacity and their ability to make decisions is impaired. This can include, but is not limited to, the following indicators:

- Another family member seems to be making all the decisions for the customer
- The person has a legal guardian, lives in a long-term care facility, or has a developmental disability
- The person exhibits memory loss, inability to process information or gives confusing or conflicting information
- The person forgets appointments or to return phone calls
- The person shows signs of fearfulness, extreme anxiety, erratic behavior or dementia

While a producer is not expected to be able to assess the cognitive function of a senior, many states expect producers to understand that any person of unsound mind is legally restricted from entering into an insurance contract. If it is determined that a policy is purchased by a person who is not competent to make such a decision, North American reserves the right to rescind the contract and chargeback any commissions paid.

Many seniors are conservative by nature in financial strategies. Whenever you have doubt, it is always best to rely on more conservative strategies and recommendations.

Many people go through "buyer's remorse" after making a major financial decision. Again, proper documentation, a conservative strategy and making sure that the customer fully understands what they have purchased will help address this issue.

Some seniors may give the impression of being "market-savvy" because they might have owned stocks/bonds or mutual funds in the past but realistically have little or no market knowledge. Producers must not assume that seniors (or any customer) understand insurance concepts without proper instruction. Most seniors have other advisors, such as a CPA, a tax advisor, an attorney, producer-in-fact or even family members. These advisors may have different recommendations for the senior customer. It may be beneficial to include these advisors. Additionally, we recommend that you offer to involve a senior customer's family members in your discussions.

## Advertising Guidelines and Review

Advertising includes any material, written or electronic, that is designed for distribution to the general public, producers, or prospective producers, including but not limited to:

- Print and all other forms of media advertising (e.g. newspaper, magazine, TV, radio) including "pre-approved" ad slicks that have been personalized
- Internet and Internet websites or home pages and any form of e-commerce, which must be submitted with link to website or in printed format
- Product brochures, circulars, pamphlets and published articles
- Sales presentations, prepared sales talks, seminar/symposium presentations and handouts, telemarketing scripts and materials (includes guest presenter materials at sales or producer meetings and events)
- Newsletters, research reports and performance reports or summaries
- Prospecting, target market and form letters
- Emails or email signatures referencing the North American name, logo, description, products, services, rates or features
- Lead cards and lead generating material
- Business cards and letterhead
- Producer biographies
- Producer recruiting and training materials
- Sales illustrations
- Third-party software
- Materials used to recruit other producers
- Facebook, X (formerly known as Twitter), LinkedIn, Phonebook and Yellow Page listings
- Websites that contain any North American material, name, or logo

Without exception, all consumer-focused advertising and "producer use only" recruiting material or sales literature mentioning North American, or referencing any of our products and services, must be approved by the Advertising Review Team before use. This includes products referenced by name, description, rates, or features.

Generic ads that do not specifically reference North American or our products by name, feature, or description, are not required to be submitted. However, it is your responsibility to understand and apply all advertising requirements for any material considered advertising under this policy. If you choose to submit generic ads, we will be happy to assist you by reviewing for general information, accuracy, and compliance with Company marketing standards and rules. We may also make suggestions to help you comply with state laws and regulations. While we may suggest revisions based on this review, we will not provide approval on generic ads.

The Advertising Review Team offers streamlined procedures for submitting advertising for review and approval via e-mail to AdReview@sfgmembers.com. Periodically new issues arise pertaining to advertising. At those times special bulletins are released to advise you of changes and possible necessary revisions to advertising pieces. The Company's complete Agent Advertising Guidelines may be accessed through the agent portal at northamericancompany.com. Producers are required to review and follow these guidelines.

If you are uncertain whether or not something falls within the definition of "advertising," you may contact the Advertising Review Team for guidance. The Advertising Review Team does not provide assistance with general branding or design.

## Annuity Illustrations

If you use a Company-provided illustration as part of your solicitation process, you must ensure this is disclosed on the application paperwork and the Company will provide an updated illustration when the contract is issued.

It is our general policy that no outside sales illustrations, proposals, projections, or software be used during the application, sale, purchase, or any other aspect of marketing our fixed index annuity products, other than Company illustration software and calculators. This includes, but is not limited to, sales illustrations, proposals, projections, or software that provide hypothetical or past index performance to demonstrate or predict product returns.

## Life Insurance Illustrations

State regulations require the Company to obtain an illustration signed by both the producer and the applicant for all products that require an illustration ("Illustrated Products").

For Illustrated Products, producers must obtain a signed illustration or a signed Illustration Statement at the point of sale and for certain Policy Change transactions. The illustration must disclose the name and address of the producer who prepared the illustration and all pages of the illustration must accompany the submitted application or applicable Policy Change Application form.

If an Illustration Statement is submitted with the application instead of a signed illustration, all pages of an illustration signed by both the producer and the applicant must be submitted to the Company before the policy will be placed in effect. Do not provide this statement if an illustration has been used.

## Revised Life Insurance Illustrations

Revised illustrations are required for changes to an original application or illustration. If a policy is issued other than as applied for, the Company will provide a revised illustration for delivery with the policy. The producer and applicant must sign the revised illustration and return all pages of the illustration to the Company before the policy will be placed in effect.

Common situations that require a revised illustration include, but are not limited to:

- Changes from the original application or illustration (this may include changes of the product, riders selected, non-guaranteed interest rate, policy rating or classification, death benefit, or death benefit option)
- Changes in the initial planned premium amount or frequency (for example, changing from annual to monthly planned premium)

If a submitted illustration does not correspond with the application or policy change request, the Company will provide a revised illustration for delivery with the policy. The producer and applicant must sign the revised illustration and return all pages to the Company before the policy will be placed in effect.

Some states (OH, NC, IL, NE and OR) require an illustration to be signed on or before the signature date of the application and also require the illustration to include the date it was created.

## Marketing by Telephone and "Do Not Call"

In response to the Telephone Consumer Protection Act (TCPA), the Federal Communications Commission (FCC) and several states have adopted "Do Not Call" rules that govern telephone communications with the public. As a result, you may not use the North American name as part of your telephone solicitation calls unless you comply with FCC requirements and applicable state laws.

With respect to Do Not Call, you are required to do the following if you make telephone solicitation calls (including cold calls) using the North American name:

- Search the National Do Not Call Registry and applicable state registries before making any calls to residential telephone numbers. You may not make solicitation calls to any individual whose number is on either of these registries.
- Contact North American Policy Administration or Customer Communications Department to confirm that the individual has not been placed on a North American Do Not Call list.
- Establish a personal Do Not Call list. You are responsible for maintaining a Do Not Call list of individuals who have asked not to receive calls placed by you, or on your behalf. Individuals must be kept on this list for five years.

In addition, the TCPA and some states have restrictions around commercial telephone calls to cell phones and text messaging solicitations. For certain calls or text messages, you may be required to obtain prior express written consent from the individual to whom you are placing the call or sending the text. You are responsible for understanding the extent to which your telemarketing activities are subject to the TCPA. As a producer with North American, you agree that all telephone and text messaging solicitations that you make using the North American name will be in full compliance with the TCPA and any relevant laws and regulations of each state in which you do business. Information regarding the TCPA, the FCC rules and any applicable state laws is available on the FCC's website at www.fcc.gov.

## Marketing by E-mail

If you engage in any marketing activity via e-mail, the Federal CAN-SPAM Act provides guidelines you must follow. Violations of the CAN-SPAM act can result in significant fines for each individual e-mail. Basic requirements of the law include the following:

- The email message must not have misleading or falsified header information (i.e., "From", "Reply-To", etc.).
- Don't use misleading subject lines.
- Clearly identify that the email is an advertising message, and the message must come from a functioning return email address.
- Commercial email must display the physical postal address of the sender.
- Display a prominent notice that provides the recipient the opportunity to decline further emails from you (unsubscribe/opt-out).
- Honor all opt-out requests within 10 business days.
- Monitor what others are doing on your behalf.

Additional information and guidance is available at https://www.ftc.gov/business-guidance/resources/can-spam-act-compliance-guide-business. You are also responsible for following any applicable state laws regarding e-mail marketing. North American encourages you to seek legal advice if you engage in any e-mail marketing.

## Social Media

Social Media is the social interaction among people in which ideas and information are created, shared or exchanged in virtual communications and networks. Examples of Social Media sites include Facebook, X (formerly known as Twitter), and LinkedIn. It is very important to remember that the use of a Social Media site to solicit or induce a person to purchase or inquire about an annuity or life insurance product would be considered solicitation and must follow our standard advertising pre-approval process.

The Company's social media policy is included in the Agent Advertising Guidelines, which may be accessed through the producer portal at northamericancompany.com.

## Seminar Selling and Lead-Generating Material

Seminar selling, complimentary lunch or dinner offers, and the use of lead-generating material continues to be under increased scrutiny by regulators and the media. These activities are not prohibited, but all such promotions must disclose that a licensed insurance producer is involved and that life insurance and annuity products may be discussed or offered for sale, then or at a later time.

You may not use materials that contain exaggerated or misleading claims, or that are intended to pressure the consumer into making an immediate decision, by reference to the continued availability of certain product features or through other methods. Any reference in any material that suggests the involvement of any regulatory or governmental agency, or any organization that focuses on seniors, such as AARP, is also prohibited.

If you plan on hosting a seminar with the ultimate goal of promoting North American or securing appointments in order to solicit sales of North American products, you are required to submit all materials associated with the seminar for review before offering the seminar to the public. Specific requirements about seminar selling and required disclosures are outlined in the North American Agent Advertising Guidelines, which may be accessed through the Producer portal at northamericancompany.com.

## Wills, Trusts, and Medicaid Planning

Use caution when using or offering living trusts as a financial planning tool. While we believe that in the appropriate circumstances a living trust can be a valuable planning mechanism, mass distribution of this concept is not appropriate. Trust related sales have been the focus of private and government litigation against marketers of living trusts, insurance companies, and producers. These activities have also generated national media attention. This litigation focuses on so-called "Trust Mills" that allegedly market living trusts on a mass basis as a "door opener" for the sale of insurance products. **It is therefore important that your customers understand that the purchase of an annuity or life insurance policy is in no way required in conjunction with the establishment of a trust and that the fees or expenses associated with the establishment of a trust are independent of any premium paid for the purchase of the annuity or life insurance policy.**

Some states have laws that provide limitations on when a living trust is used and restricts insurance producers who are not licensed as an attorney to deliver living trusts and other non-insurance legal documents to individuals aged 65 or older. Check the laws and regulations of each state you are licensed to do business in to ensure you are adhering to state requirements.

North American will accept business involving the use of a trust as an owner or beneficiary. If your business involves the use of trusts, you may be asked to provide information regarding your business practices to North American.

North American will require a current executed copy of its Certification of Trust Agreement Form, signed by the authorized trustee(s), to be on file whenever a contract will involve a trust as owner. Additional requirements may exist when a trust is named beneficiary as well.

As a result of the Certification of Trust Agreement form, North American does not automatically require a copy of trust documents. However, North American reserves the right to require additional documentation for sales involving trusts and, if circumstances warrant, may deny an application or allow rescission of a policy if it determines that a trust used in conjunction with an application is inconsistent with its procedures.

Neither North American nor its producers provide tax or legal advice. We strongly encourage customers to consult with and rely on their own tax or legal advisor prior to establishing a living trust or purchasing any North American product in connection with a living trust. The provisions of the contract being purchased should be discussed with the trustee in detail so that the trustee can ensure that those provisions are consistent with the terms and objective(s) of the living trust.

When a trust is named as owner of an insurance product, it is imperative that the trustee has obtained an independent determination that the products are suitable for the trust's purpose, that the product conform to the income distribution requirements of the trust and that the trustee has considered any tax consequences of the purchase and administration of the product.

Finally, products offered by North American are not designed for use in "Medicaid-friendly" or other state or federal programs and should not be represented as such. Our producers should not represent our products as being a tool for protecting or "sheltering" a customer's assets with regard to any aspect of Medicaid or any other state or federal program means tested benefits program (including Veteran's benefits). Our producers also must not induce, or attempt to induce, a sale by representing our products as financial vehicles that allow an individual to protect accumulated assets while at the same time qualifying for Medicaid benefits or other benefits to cover the cost of long-term care in a nursing home or similar facility.

## Annuity Ownership Requirements

Corporate entities, nonprofits, and trusts all have different considerations when evaluating whether an annuity is appropriate and will meet their needs. Please contact a qualified tax or legal advisor to discuss these matters before recommending such a purchase.

Certain types of corporate entities and trusts are not eligible to receive the tax-deferred benefits of annuity ownership. North American does not provide tax reporting or administration for such contracts, and therefore prohibits certain types of entities and trusts to be annuity owners. For example, North American prohibits ownership by partnerships and limited liability corporations, among others. For a current, complete list of acceptable and prohibited owners and beneficiaries, please contact the New Business Department. Find a full list of department contacts on our website at northamericancompany.com.

Trust ownership requires, at a minimum, that all beneficiaries of the trust (not the annuity) are natural persons. Certain additional documentation may be required at the time of application or claim and should be reviewed carefully for accuracy by not only you but the applicable trustee(s) and authorized corporate signor(s).

# IV. Application and Producer Solicitation Guidelines

The application provides valuable information about the customer and is a part of the insurance contract; it must be filled out completely and accurately. If the answers on the application are incorrect, incomplete, or untrue, North American has the right to deny an application or benefits, rescind a contract, or take additional action.

Premium payments, other than the first, are to be remitted directly to the Company by the policy/contract owner. We do not allow submission of agency checks or personal checks from producers for premium payment on a policy that insures someone other than a direct family member of the producer. These guidelines are enforced to guard against commingling of funds and potential complaint/legal situations.

Submit the application to North American exactly as completed at the point of sale. If a mistake is made on the paper application (or any other documents submitted to North American over the life of the policy contract), do not use "white out" or other correction material to change it. Place a line through the mistake and have the applicant date and initial above the strike out. Applications or other documents submitted with correction material will be rejected when identified and the appropriate action taken.

## Customer Signatures

You should ensure that your customers understand that by signing the application, they are verifying that the information they have provided is accurate and complete. You must never ask your customers to sign a blank or incomplete application or any other document. Doing so may result in action up to and including termination of your producer contract. North American may also be required to report such conduct to insurance regulators.

The applicant must initial modifications to the paper application or other sales materials prior to signing them. Any modification made to the application or any other document at or after the point of sale without the knowledge and approval of the applicant is an unethical sales practice, may be illegal, and could result in termination or legal liability. Further, you must not sign or initial any document on a customer's behalf, even if the customer has authorized you to provide his or her signature or initials. Additionally, signature stamps are not permitted.

Please be aware of individual state guidelines for selling outside of a customer's resident state, discussed further in the non-resident sales section.

Only Company-approved electronic signature methods are allowed. Any Company-allowed e-signature submitted by a producer, agency, or broker dealer portal or platform requires that the e-signature process include appropriate identity-validation of the signer. If you are using an e-application process and your customer is not in person with you for the signing ceremony, you are expected to use the available e-mail e-signature option to obtain their signature. Under no circumstances are you ever to complete an e-signature on behalf of an applicant or any other party – even if he or she gives permission, this is still strictly prohibited.

Finally, remember that it is your responsibility to protect the privacy and confidentiality of the information obtained during the application process. Personal information intended to be transmitted to North American should be maintained in the utmost confidence.

## Powers of Attorney – Verification of Identity

The Verification of Identity section provided on the application must be completed with the owner's information, not that of their attorney-in-fact.

## Producer Signatures

Only the licensed producer(s) who solicited the business at the time of sale may sign the application and must explain the product to the customer. You should only sign the application if you personally solicited the sale. The only exception to this requirement is if another producer assisted in the sale. In this scenario, he or she should *also* sign the application–even if they are not taking any commission. This makes it clear to everyone involved in the sale the role of the parties and who the soliciting producer of record is.

**Your signature on the application is your personal assurance that the information supplied therein is, to the best of your knowledge, given voluntarily by an eligible applicant in a complete and accurate manner. By signing the application and other sales documentation, you are taking responsibility for the sale and the information provided.** North American, as well as the regulations of many states, requires that the producer signing an application be the same producer that meets with the customer, explains the product to the customer and delivers the contract to the customer.

For transactions that involve the transfer of funds, producers are not permitted to sign a Letter of Acceptance on behalf of North American.

Failure to comply with these requirements may result in rejection of new business, the termination of your appointment with North American and any affiliated companies, commission chargeback, and/or a referral to an applicable regulatory agency.

## Fact Finding, Needs Analysis, and Documentation

Competent and customer-focused appropriate sales are based on an analysis of the customer's insurance needs and financial objectives. You are required to conduct a thorough assessment of each customer's needs and objectives, as well as their circumstances and future expectations, when making product recommendations. Insurance product recommendations should be made only upon having reasonable information to determine that such recommendations are appropriate to meet the customer's needs.

North American encourages the use of fact finders or other needs analysis tools to assist you in determining your customer's needs and objectives. In addition, documentation of that assessment and presentation is expected for proper compliance in any market, and is especially important with senior customer sales.

## Anti-Selection

One of your responsibilities as a producer for the Company is to collect applications for proposed annuitants and insureds in a manner consistent with basic principles of the assumption and management of individualized risks. Company products are designed for the individual marketplace and the placement of risks on a single life. Engaging in anti-selective behavior against the interests of the Company is prohibited.

Examples of anti-selection behavior would include, but not be limited to, knowingly stacking multiple individual contracts on a single insured or annuitant to evade premium or death benefit limits, modifying or manipulating applications in any way designed to have risks inappropriately underwritten or classified, or knowingly attempting to place an insurance risk on an individual you know or suspect has a medical condition, occupation, or avocation that would otherwise rate or disqualify an individual from coverage. The Company will determine in its sole discretion whether an act or action violates the prohibition on anti-selective behavior. If the Company determines a violation of the prohibition on anti- selective behavior has occurred, it may take action up to and including termination and, if warranted, termination for cause.

## Annuity Suitability

You have an important job in assisting your customers in determining the products that are appropriate for them. State regulations and your obligations to your customer require you to gather enough information to make a recommendation of a suitable product. Uncovering information about your customer's financial situation means more than asking how much they earn each year and how much money is "in the bank." Make sure you also understand your customer's lifestyle, recent or upcoming life events (divorce, marriage, college tuition, retirement and planned medical expenses, etc.), financial experience, insurance needs, financial objectives, taxes owed, income needs (income compared to expenses), time horizon, and liquid assets outside of this annuity or other annuities already owned. This information will assist you in completing this critical task.

In addition, the majority of states have adopted an updated version of the "Suitability in Annuity Transactions" rule that aligns with a new federal "best interest" standard. Versions may vary by issue state and we expect you to know and understand your obligations in your state(s).

**Refer to our Agent Suitability Guide, available on the producer website, for additional detailed information about the suitability process and requirements. You are also encouraged to call the Suitability Team for further assistance. Your full understanding of and compliance with those requirements is appreciated and expected.**

## Non-Resident Sales

A non-resident sale occurs when a resident of one state purchases an insurance product in another state. Whenever a sale occurs in a state other than the policy owner's state of residence, certain rules must be followed to ensure compliance with Company policy and the laws and regulations of the applicable state insurance departments.

Residents of Alabama, Massachusetts, Minnesota, Oregon, Utah, and Washington are not allowed to purchase products that have not also been approved for sale in their state of residence. Additionally, we are not licensed to sell products in the state of New York, and **we will not accept any sales for New York residents**. **Disguising or otherwise hiding an applicant's New York residence is strictly prohibited.**

When a non-resident sale is permissible in a state, the consumer must provide a valid reason to be in the non-resident state (other than solely to purchase insurance products). Acceptable reasons for a customer to purchase a product outside of his or her resident state may include the fact that the customer maintains a second residence in the state or has regular business dealings or is employed in the state. Vacationing in the non-resident state is not a sufficient reason for a non-resident sale; additionally, the fact that the product is not approved in the customer's resident state is insufficient.

**The entire sales process must occur in the *application* state, including but not limited to 1) the sale discussions, 2) application signing and 3) policy/contract delivery. You cannot mail the policy/contract to the customer's *resident* state.**

If you are involved in a non-resident sale, North American requires that you:

- Confirm product availability and state approvals
- Make certain the customer has a valid connection to the non-resident state and accurately complete the Non-Resident Verification Form
- Be currently licensed to sell the product in all states in which any aspect of the sale occurs
- Sell, sign, and deliver the contract in the application state.

If you have questions about your responsibility with respect to non-resident sales, please contact the New Business or Compliance Department to discuss the specific case.

# V. Replacements

The definition of "replacement" goes beyond the surrender of one policy/contract and subsequent purchase of another policy/contract. You should be aware of — and help your customer to understand — all of the transactions that are considered to be replacements. What constitutes a replacement transaction is defined quite broadly. Using funds from a full or partial surrender of an existing annuity or life insurance policy to purchase another annuity or life insurance policy may be considered a replacement transaction under state law and should follow our replacement procedures. The mere fact that the funds came from a cash source, such as a checking account, does not alone define the transaction as a non - replacement. If in fact the original source for the funds was another policy/contract, then the transaction may need to be classified as a replacement and our replacement procedures need to be followed. This is true even if the customer placed the funds in a money market or checking account prior to purchasing another policy/contract.

For example, a replacement may occur when a new policy or contract is to be purchased and that by reason of the transaction, an existing policy or contract has been or will be:

- Lapsed, forfeited, surrendered, or otherwise terminated;
- Reduced in value through a loan, withdrawal or partial surrender;
- Converted to reduced paid-up insurance, continued as extended term insurance, or otherwise reduced in value by the use of other benefits or other policy values;
- Changed or amended to result in a reduction of benefits or in the term for which coverage would otherwise remain in effect or for which benefits would be paid;
- Reissued with a reduction in cash value; or
- Used in a financed purchase.

If writing business in a state that follows the NAIC Replacement Model regulation, a replacement notice will be required if the applicant has an existing life insurance policy or annuity contract whether or not the sale is a replacement.

**Intentionally circumventing North American's replacement procedures may result in termination of your producer contract and a referral to the applicable regulator.**

### A Replacement can be Internal or External

**An internal replacement occurs when an existing policy or contract is exchanged for a new policy/contract with the same insurer or affiliated insurers. An external replacement occurs when a policy/contract is replaced by one of another insurer. Penalty-free or partial withdrawals from an annuity or life insurance contract are still considered replacement. It is the producer's responsibility to always ensure that the appropriate replacement forms are completed and submitted for both internal and external replacements. Some internal replacement transactions may not be commissionable or permissible and may also be subject to additional paperwork.**

### Your Replacement Obligations

As with any transaction, you have a responsibility to ensure that your customer has all of the necessary facts in order to determine whether the replacement will be in his or her best interest. Although this list is not exhaustive, some factors to consider in order to help determine whether a replacement demonstrates a clear benefit to the customer:

- Whether the premium payment period is shorter for the same or similar premium;
- Surrender charge length and/or percent;
- Liquidity provisions with consideration of the customer's current and expected liquidity needs;

- Whether the customer can purchase or obtain a greater benefit for the same or similar premium;
- Loss of riders or other benefits not offered by the proposed replacement product; and
- Consideration of the customer's current financial circumstances and objectives.

Comparisons between a customer's existing product and a proposed product must accurately and fairly describe each product's provisions and values. You should discuss the advantages and disadvantages of any potential replacement with your customer, and document those in any required disclosure or comparison forms. Along with any other relevant issues, you must remember to address:

- Any required evidence of insurability;
- Minimum guarantees;
- Any contestability and/or suicide provisions of the existing and proposed policies;
- Applicable loan provisions and loan interest rates of both products;
- Surrender charges, expenses and/or fees associated with both products;
- Premium requirements of the proposed product;
- Present and future (if permissible) values of both products;
- Current interest rates and any mortality charges of both products;
- Potential tax treatment of the replacement, such as whether the replacement may qualify as a 1035 Exchange;
- Rider value on existing product may not be available on proposed product;
- Length of time the customer has been in the existing product;
- Whether the new contract provides a significant benefit unavailable on the existing product; and
- Ability to demonstrate and document the clear benefit to the customer from the replacement transaction in light of his or her individual needs and objectives

Various states have specific requirements when a replacement is involved. Check the laws and regulations of each state you are licensed to do business in to ensure you are adhering to state-specific requirements when making recommendations to your customers.

Just as insurance products may only be sold by licensed insurance producers, securities products (variable annuities, variable universal life policies, stocks, etc.) may only be sold by properly securities licensed Registered Representatives (Series 6 or 7). **Without appropriate securities licensing, neither North American nor its producers, representatives, or employees should recommend the liquidation of securities, otherwise provide any investment advice, or make any representations regarding losses or gains in respect to an owner's portfolio. The owner should make an independent judgment to purchase the product offered by the producer and should discuss the liquidation of securities with a properly licensed securities representative.**

## Churning/Twisting is Prohibited

Churning is the practice where values in an existing policy or contract are used to purchase another product solely for the purpose of earning additional commissions or other compensation. Twisting is the use of misrepresentation of information to entice the transfer of one policy or contract for another. Many states have adopted Insurance Regulations which define Twisting and Churning as unfair methods of competition and unfair and deceptive acts. You should familiarize yourself with the laws and regulations within the states(s) you do business.

### Monitoring of Replacement Activity

North American recognizes that replacement activity varies by product type. Regardless, North American monitors replacement activity on an ongoing basis. Should the replacement activity of a producer or agency present a concern, the Company will investigate the matter further and discuss the issue with the producer and/or agency.

## VI. Policy/Contract Delivery and Receipt Requirements

North American is committed to the highest standards of market conduct and fundamental business practices and requires new policies be delivered to the owner in a timely manner. Delivering policies/contracts to the customer shortly after issuance allows producers the opportunity to reaffirm the sale and to review the policy/contract and answer any questions.

We recommend that you personally deliver the new policy/contract whenever possible. Delivery by mail must meet all delivery requirements in your state, and you must use a service that provides for tracking of delivery and maintain proof of mailing and actual delivery in your files. Mailing to any location outside of the issue state may constitute a violation of state regulations, so be certain of the non-resident sales regulations in the issue and residence states before mailing.

Proof of delivery is important, and some states require the use of a delivery receipt. Even in states where this is not a requirement, the use of a delivery receipt provides protection not only to the Company but to the producer as well by confirming proof of required delivery of the policy and of the date the right to examine or free-look period begins. We therefore include a delivery receipt with every issued contract/policy and expect you to return a signed copy to the Company for filing. Do not keep/store the policy or contract on your customers' behalf; the document must go to the new product owner.

### Free Look

If your customer is not satisfied with their annuity contract or life insurance policy for any reason, he or she may return it to the Company during its contractual Right to Examine (Free Look) Period. **A Right to Examine Period begins when the policy/contract is *delivered*.** This means that delayed delivery simply delays the start of the Right to Examine Period. If your customer informs you that they wish to cancel the contract or policy, please notify us immediately and require the customer to notify the Company in writing.

## VII. Document Retention

It is important to maintain a record of customer information collected, whether or not the customer elected to purchase life insurance or an annuity. You may be asked to make your documentation available upon request to North American or the insurance department of your state. Certain documents should always be maintained. At a minimum, these include:

- Original sales proposals
- A copy of any needs analysis completed during the solicitation
- Documentation requirements under the revised Model 275 Transactions in Annuity Transactions in all states where adopted (see producer website for more details).
- A copy of any sales material and advertisements used during the sales process
- Any written correspondence to or from the owner regarding the solicitation, issuance of the contract, or subsequent service of the product sold
- Documentation of phone calls to or from the owner addressing the above issues
- Notes from meetings with the owner
- A copy of the owner's signed delivery receipt or other proof of delivery (not just mailing)

State regulations vary regarding the length of time that customer files are to be maintained. However, a general rule of thumb is to maintain all active customer files indefinitely and all inactive files for seven years.

## VIII. Privacy and Information Security

Protection of customer information is a growing challenge that North American takes seriously. The federal Gramm-Leach-Bliley Act and numerous state privacy laws impose certain legal obligations on financial institutions, including insurance companies, with respect to the collection, use, and protection of customers' non-public personal information. This information may include, but is not limited to:

- Customer name
- Gender
- Age
- Address
- Bank account number
- Contract number
- Social Security Number
- Health and financial information
- Contract values
- Beneficiary information
- Passwords, PINs, and other personal identifiers

North American's Privacy Notice is provided directly to our contract owners and is posted on our website at northamericancompany.com. As an insurance producer appointed with the Company, you are expected to protect your customers' non-public personal information.

Insurance producers are also expected to comply with certain privacy laws and regulations individually. As an independent producer, you may have an obligation to provide your own privacy notice to customers and to meet the other legal requirements, depending on how your independent business is conducted. **You should consult with your legal advisor to determine if you have additional obligations with respect to your business separate from your relationship with North American.**

Additionally, your obligation to protect the privacy of customer information also includes the implementation of security measures to guard against the theft, loss, or dissemination of such information. Please understand that fraudsters target producers in an effort to obtain any information that will better enable them to steal funds (from an agent or a customer). North American has defined and adheres to Corporate Information Security Policies and expects its independent producers to implement their own safeguards, including but not limited to:

- Use appropriate levels of encryption on laptop computers or other mobile devices, including external storage devices such as flash drives and external hard drives
- Install and regularly update anti-virus/anti-spyware software
- Create strong passwords and never share passwords with others
- Do not create or access a customer's online account with North American
- Protect appropriate IT systems by firewalls
- Secure servers in an isolated, locked room
- Don't send private information via e-mail (even with a customer) without the proper security
- Ensure all confidential information has been permanently removed prior to the disposal of equipment or documents
- Ensure that office visitors and customers are not able to view or access restricted or confidential information

- Ensure that all desks or cabinets containing files and confidential information are securely locked and accessible only to authorized personnel
- If you use the Company's secure upload procedures to transmit documents to North American, ensure you have a process in place with respect to any copies of documents you have transmitted
- Ensure your business mailing and email addresses are kept updated with the Company

**Improper disclosure or loss of North American customer information, whether accidental or malicious, must be reported to the Company immediately upon discovery of the disclosure or loss.** This may occur, for example, if you experience unauthorized access, loss or theft of your computer, paper files, CDs, or other media containing customers' non-public private information, or if such information is sent to an unintended address, fax number or email address. To report a security breach, contact the North American Information and Security Department at 800-800-3656.

### Producers' Personal Information

North American gathers personal information during the application process in order to evaluate your application for appointment and to maintain appointment records.

Personal information we obtain during the application process is private and confidential. We will not disclose such information to other persons or organizations without your written authorization, except to the extent necessary to conduct our business, processing related to your appointment, or as permitted or required by law. For additional information, please see the **Sammons Financial Group, Inc. Privacy Policy at this link.**

## IX. Consumer Complaints

North American has an obligation to monitor producer conduct and to ensure ethical and appropriate customer service.

Customers may contact you, the Company, or others for a variety of reasons such as service requests, inquiries, questions and concerns, lack of understanding, or a serious grievance. If the Company receives a complaint related to a sales practice or sold or serviced by you, you may be contacted and required to provide a written statement and also may be asked to provide copies of sales materials (if applicable) and other documentation related to the matter. The Company is committed to handling all customer complaints fairly and expeditiously and expects your full cooperation. In an effort to keep the investigative process objective, the Compliance staff is not able to assist you in formulating your substantive response.

The Company takes seriously and thoroughly investigates all complaints, and where called for, seeks to fairly and amicably resolve them. We track and monitor complaints to identify trends and also use the information to improve service and operational standards.

All complaints received directly by you should immediately be forwarded to the Compliance Department for handling:

**North American Company for Life and Health Insurance®**
**Attn: Compliance Department**
**8300 Mills Civic Parkway**
**West Des Moines, IA 50266**
**Email: compliance@sfgmembers.com**

Once reported to the Company, producers may not respond directly to the customer or anyone other than the Company Compliance Department with respect to the complaint (unless the producer receives a request for a response directly from a regulator).

Complaints must be identified, evaluated and handled according to applicable laws and regulations. It is inappropriate and unacceptable for any North American producer to initiate discussion of a settlement of any complaint or related matter with a customer. While your input may be solicited and your cooperation is required, the Company retains the absolute and unilateral right to settle and resolve all complaints and related matters in its sole discretion. The Company also retains absolute and sole discretion to charge back commissions pursuant to the terms of the producer contract.

Questions relating to customer complaints or related matters should be directed to the Compliance Department at compliance@sfgmembers.com.

## X. Anti-Money Laundering Compliance

As you conduct business, you must always watch for signs of illegal activities such as money-laundering. Money-laundering refers to a series of financial transactions that aim to conceal the identity, source and destination of illegally obtained money; in other words, the conversion of criminal proceeds into seemingly legitimate funds. Money-laundering facilitates a broad range of serious underlying criminal activities and ultimately threatens the integrity of the financial services industry.

Following the terrorist acts of September 11, 2001, Congress enacted, and the president signed into law, the USA PATRIOT Act, which strengthened anti-money laundering ("AML") laws to prevent the financial services industry from being used for money-laundering and terrorist financing. On October 28, 2005, the Financial Crimes Enforcement Network ("FinCEN") of the Department of the Treasury issued final rules for insurance companies which set forth minimum standards for the establishment of AML programs.

North American has established an Anti-Money Laundering Program to comply with federal requirements. You play an important role in the program. As an insurance producer, who deals directly with customers, you are often in a critical position to obtain information regarding the customer's source of funds and reasons for purchasing an insurance product.

North American's AML program requires you to collect and verify certain information in accordance with North American's Know Your Customer section of the program, this includes verification of the individual customer's name, date of birth, street address, Social Security or other tax identification number, country of citizenship, and a copy of the client's government-issued identification document, such as a driver's license or passport. Record of this information must be retained as long as the contract is in effect and for five years thereafter. If a customer resists providing information, please contact the Compliance Department at compliance@sfgmembers.com for guidance.

**You must notify the Company if you detect any money-laundering "red flags"** so that the Company can determine if a suspicious activity report ("SAR") must be filed. "Red flags" that may be indicative of a money-laundering situation include, but are not limited to:

- A customer's purchase of a product that is not consistent with their insurance needs
- The purchase or funding of an insurance product that appears to exceed the customer's known income or net worth
- Any attempted unusual method or form of payment, particularly cash or money orders
- Payment of a large amount broken into multiple smaller amounts
- Payments received from apparently unrelated third parties to your customer (other than transfers and exchanges from other insurers and broker/dealers)

- "Not taken" contracts, particularly if there are patterns or trends with a particular customer
- Little or no concern by a customer for the performance of an insurance product, but much concern with respect to the early termination features of the product
- Reluctance of a customer to provide routine identifying information, or the provision of information that seems suspicious or turns out to be false
- The customer is unusually concerned about privacy or their appearance and/or demeanor is suspiciously unusual
- Any other activity which you believe is suspicious

In addition to identifying our customers, we must take care to identify the ownership and source of payments received (e.g. premium payments and loan payments). As part of the Company's AML program, the following guidelines have been established as to acceptable and unacceptable forms of payments:

| Acceptable | Not Acceptable |
|---|---|
| • Personal, business, cashier's or certified check drawn on a U.S. Bank (must originate from customer's account)<br>• Electronic Funds Transfer from a U.S. Bank (must originate from customer's account) | • Producer or Agency Checks<br>• Cash<br>• Checks drawn on foreign banks<br>• Generic or starter checks<br>• Money orders<br>• Third party checks<br>• Traveler's checks<br>• Western Union transfers |

**Please also note that producers are prohibited from accepting cash from customers and converting those funds into one of the acceptable forms of payment listed above.** Any form of payment deemed not acceptable will be returned to the owner or payor with instructions on acceptable payment types.

The Company requires all producers to complete periodic Anti-Money Laundering training and utilizes the course offered by LIMRA International, Inc. You may access the course at http://aml.limra.com. Your User ID will be your National Producer Number (NPN). The password, if you are a first-time user, will be your last name which must be entered in lower case characters. If you need assistance please contact LIMRA's technical support team at 866-364-2380. Please note that you will not receive a physical certificate upon completion of the course; however, LIMRA will provide the Company with documentation following your completion.

Acceptable forms of AML training may include, but are not limited to the following:

- AML training course provided by LIMRA International, Inc.
- Completion of a Broker/Dealer's AML training will be accepted by the Company for producers who are also Registered Representatives of a B/D with which the Company, or one of its affiliates, has an active selling agreement.
- The Company may accept a signed certification from another insurance company's AML Compliance Officer for producers appointed with other insurance companies who have completed another company's AML training program as mandated by the USA PATRIOT Act.

The Company and its producers share an important responsibility to comply with all applicable anti-money laundering laws. A producer's failure to do so constitutes cause for action up to and including termination of your appointment. Additionally, violation of anti-money laundering laws may result in criminal or civil penalties under federal law. If you have questions regarding

acceptable methods of payment, customer identification requirements or any other new business issues, please contact the appropriate Sales department for your line of business.

To report suspicious activity, or if you have questions regarding the Company's AML policy, please email the North American AML Department at AML@sfgmembers.com.

# XI. Prohibited or Restricted Practices

### Rebating is Prohibited

Rebating involves an applicant being given something of value that is not mentioned in the contract as an inducement to purchase or retain a life insurance or annuity contract. Rebating also includes refunding any part of a commission to induce the purchase or retention of a contract.

Most states have specific regulations that prohibit rebates in connection with the sale of life insurance policies or annuity contracts. Typically, the statutes provide that no insurer or producer 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. Most states also have insurance laws which specifically prohibit any person from receiving rebates on life insurance policies, including deductions from any premiums, or any valuable consideration, special favor or advantage whatsoever not specified in the policy as an inducement to take such policy or annuity contract.

North American prohibits producers from giving anything of value in conjunction with the sale of insurance that is not specified in the policy or contract or approved by Compliance, from rebating commissions received, and from making any premium payments from funds or accounts under the control of the producer, regardless of applicable state law.

### Stranger- and Investor- Owned Life Insurance

Stranger Owned Life Insurance (STOLI), Investor-Owned Life Insurance (IOLI), "Lending of Lives" and other non-traditional or speculative uses of life insurance have evolved over the years. STOLI and IOLI involve an individual lending his or her insurability to an unrelated third person or entity. Some are presented under the pretense of charitable giving. The individuals targeted may be offered financial incentives to consent to the purchase and the policy is owned by a trust to facilitate the transaction. Premiums are typically financed through non-recourse[1] type loans where the policy will eventually be transferred to the stranger or investor in the future to satisfy the loan. Not all sales involve these features and as this market continues to evolve, new variations are likely to be developed.

North American will not participate in the STOLI and IOLI market, or other speculative uses of life insurance where it appears the intent from the outset is to sell the policy in the secondary market. We believe this type of insurance undermines the vital role life insurance plays in providing financial security and death-benefit protection necessary for millions of individuals and businesses. Applications will not be accepted where it appears it is part of an investor-owned or stranger-owned transaction as described above. Our application includes an inquiry into the various factors we will consider to identify this type of business, such as the following:

- Whether the proposed insured or applicant is being compensated in any way to purchase the policy;
- The source of funding for the policy;

[1] With a **non-recourse** loan, the borrower pledges the cash surrender value of the **policy** and the death proceeds only. No other collateral is posted.

- Whether a “non-recourse” loan is involved, which can be satisfied by transferring the policy to the lender or third party;
- Whether any confidentiality or other agreements have been entered into regarding the purchase or funding;
- Whether a third party or lender is hiding its ownership interest in the policy;
- Whether the policy is being purchased with the intent to sell to investors or other third party; and
- Whether the proposed insured is purchasing a new policy to replace a policy that had or has been sold previously.

## Premium Financing

Premium financing involves recommending or selling any third-party premium financing investment in conjunction with the sale of a North American life insurance product. More specifically, premium financing describes a method of purchasing large premium life insurance contracts using money borrowed from a commercial bank or other lender. Premium financing may be allowed only when following strict procedures as may be promulgated by the Company. Premium financing that is not fully disclosed to the Company, following its policies and procedures and approved is prohibited. No prohibition applies to a policyholder using funds from his or her existing annuity or life insurance policy.

## Conflicts of Interest are Prohibited

Producers must avoid creating a conflict of interest with their customers, and our producers should not serve in any capacity that may be construed as creating a conflict of interest. Additionally, producers may not use their family members, business associates or any other party to accomplish what they themselves are otherwise prohibited from doing in this regard. In addition, producers should not engage in or be involved in the writing of a trust for customers.

**Although the following list is not exhaustive, current Company practice does not allow a producer/registered representative to be named as, or to act as, the following:**

- beneficiary or contingent beneficiary
- beneficiary of an owner’s beneficiary trust
- trustee, co-trustee or successor trustee for an owner’s trust
- attorney-in-fact or successor attorney-in-fact for an owner
- estate executor/executrix
- an owner of the customer’s contract

The exception to this exists when the producer is “immediate family” of a customer, defined as spouse, child, step-child, mother, father, grandparent, brother or sister, or as otherwise determined by Company procedure or state law.

**It is equally unacceptable to use an agency or producer’s home and/or business address or telephone number as the owner’s address or phone number of record if the owner does not reside at the address. The customer should list his or her primary residence (where property taxes are paid) as the address of record. A producer must scrupulously avoid real or apparent conflicts of interest involving customers to whom North American products are sold.**

## Customer Loans are Prohibited

The acceptance of a loan from a customer is an unacceptable conflict of interest that the producer must avoid and like other prohibited activities, may result in termination and a referral to the appropriate regulatory body. North American, and the laws of many states, prohibit a producer from receiving loans from their customers unless the customer is the producer's "immediate family" member, defined as a spouse, child, step-child, mother, father, grandparent, brother or sister.

North American further prohibits a producer from soliciting or accepting an investment from a North American policy/contract owner in a producer's business.

## Serving as an Expert Witness is Prohibited

Unless prior written consent is received from the Compliance Department, producers are not allowed to act as expert witnesses in legal, regulatory, or legislative proceedings.

## Mortgage and Refinancing

Encouraging or directing a customer with home equity to take out a reverse mortgage, refinance and/or obtain home equity funds to purchase a life insurance policy or annuity contract is prohibited.

## Use of Customer Statements in the Sales Process

North American prohibits using copies of customers' Annual Statements during the application, sale, purchase, or any other aspect of marketing products regardless of whether or not policy owner information is visible. The Company values the integrity of our customer relationships and works to ensure that the personal and financial information of our customers is protected. Additionally, the past performance of a particular customer's annuity or life insurance policy is not intended to predict future performance of similar products.

## Impersonations

You (including your staff or associates) may never contact the Company acting as the customer, even if the customer has given you permission to do so. **Producers identified as impersonating a customer will be referred to the Compliance Department for appointment review and are subject to possible termination. We may also refer the producer to the appropriate state departments of insurance.** Customers may also be contacted in these situations.

## Use of Faith/Religion in Advertising

Given the diversity of our producers and our policy owners, we need to be sensitive in the messages we use in advertising. We recommend that you refrain from using faith, religion or religious conviction in advertising, sales literature, seminars, policy owner correspondence or any other materials used to promote our Company and/or the sale of our products. Submitted materials with such themes will not be approved through our standard advertising approval process.

# XII. Additional Important Information and Instructions

## Index Account Allocations

North American fixed index annuities and indexed universal life products offer many choices for your customers. In most cases, your customers can choose how their premium is allocated among crediting methods, as well as selecting from a variety of index account options.

The index account options are used as a measuring tool for a potential interest credit to these products, which are not securities investments and therefore do not participate directly in any index or indices. If an index option is chosen by your customer it is important that you are not providing investment/allocation advice unless you are qualified and registered to do so.

## Pre-Issue Withdrawals

North American does not typically allow pre-issue withdrawals except for pension/401(k) funds. Requests for funds prior to issue should be handled with the transferring company.

## Producer Licensing and Contracting

North American follows all state licensing regulations regarding producer licensing and appointments. Your appointment to sell insurance with North American requires that you abide by all of the laws, rules, and regulations of any state in which you are licensed to conduct business. Furthermore, it is your obligation to ensure that you keep up to date regarding all changes to any laws, rules, and regulations governing your activities as a producer. You must also comply with all Company policies and procedures. Current Company practice also requires you to notify the Licensing and Contracting team of any felony charges or regulatory action against you within 30 days.

Please note that some states prohibit taking applications prior to product training or appointment with the state. If you have questions, contact Agency Services.

## State-Specific Rules and Regulations

Each state has various rules and regulations concerning the sale of insurance products. It is your responsibility to know and follow your state's (and the solicitation state's) rules and regulations. If you have any questions about the rules and regulations in your state, you are strongly encouraged to discuss them with your legal advisor.

## Errors and Omissions Coverage

North American requires all of its producers to maintain Errors and Omissions ("E & O") insurance coverage of at least $1 million aggregate and $1 million per claim per year of coverage. In the event that a claim is presented against you, your E & O carrier should be notified within 24 hours of your receipt of the claim. You are responsible for making this notification and maintaining coverage.

## Producer Education Requirements

North American believes that continuing education about products, industry, and regulatory issues is critical to being able to provide competent, customer-focused sales and service. A variety of resources are available for obtaining this education, including the Company, professional trade groups, and independent third-party vendors.

In addition, for annuity sales nearly every state requires two types of training: product specific training provided by the carrier(s) with whom you are appointed; and a one-time, four-hour general fixed annuity training course. For the general training, please refer to your state's licensing body. We also offer continual training opportunities that will be required when we introduce new products and features. This training may include additional materials. New product training will be required prior to your solicitation of a sale.

**You are responsible for ensuring that you meet all continuing education requirements** associated with your insurance and other licenses.

For specific information regarding the resources available to you from the Company, including product-specific training, please contact the appropriate Sales department for your line of business.

### Adverse Action

You are required to notify North American if you have been the subject of an adverse action (for example, a complaint, investigation, or regulatory action), have filed bankruptcy, have unsatisfied judgments or tax liens, been charged with or found guilty of a felony or misdemeanor, have lawsuits against you, or been refused E & O coverage. This notice should be provided within 10 days. Further, if you have been terminated by another carrier for any reason other than lack of production, you are also to notify the Company.

## XIII. Conclusion

We hope that you find this Compliance Guide to be helpful; however, please keep in mind that it is not intended to discuss all topics, laws, or regulations that may affect your activity as a producer. Because the guidelines are general in nature they will not address all details of any specific circumstance; therefore, if you need additional assistance in applying this guide, please contact the Compliance Department.

**North American Company for Life and Health Insurance®**
**Compliance Department**
**8300 Mills Civic Parkway**
**West Des Moines, IA 50266**
**Compliance@sfgmembers.com**

Sammons Financial® is the marketing name for Sammons® Financial Group, Inc.'s member companies, including North American Company for Life and Health Insurance®. Annuities and life insurance are issued by, and product guarantees are solely the responsibility of, North American Company for Life and Health Insurance.