Federal Life Insurance Company

2020 Annuity Suitability and Best Interest Training

For annuity sales in:

AL, AK, AR, AZ, CO, CT,DE, GA, HI, IA, ID, IL, KS, KY, MA, MD, ME, MI, MN, MS, MT, NC, ND, NE, NM, OH, OK, OR,PA, RI, SC, SD, TN, TX, VA, WA, WI, WV, WY

The 2020 Suitability in Annuity Transactions Model Regulation (https://content.naic.org/sites/default/files/inline-files/MDL-275.pdf) was enacted in the states listed above. The revised regulation requires that all annuity recommendations by producers and insurers meet the Best Interest Standard.

These rules apply to any recommendation to purchase, exchange, or replace an annuity that results in the purchase, exchange or replacement recommended.

I. Producer Responsibilities

A. **In general** - Under this regulation all recommendations made by producers to purchase, exchange or replace an annuity product must comply with the best interest standard of conduct. Producers may not place their financial interests ahead of the consumer's interest when recommending an annuity product. To meet the best interest obligation, producers must satisfy the obligations of care, disclosure, conflict of interest and documentation when recommending an annuity. To satisfy these obligations, producers must:

- Know the consumer's financial situation, insurance needs and financial objectives
- Understand the available recommendation options
- Have a reasonable basis to believe the recommended option effectively addresses the consumer's financial situation, insurance needs and financial objectives
- Communicate the basis of the recommendation to the consumer
- Document, in writing, any recommendation and the justification for such recommendation

B. **4-Hour Best Interest Training Course** - Producers who engage in the sale of annuity products must complete an approved, state-specific best interest annuity training course, and insurers must verify the completion of the training course before the producer can solicit the sale of annuities. The training includes information on appropriate standard of conduct, sales practices, replacement and disclosure requirements. We suggest this reasonably priced site to fulfill your state's annuity best interest training requirement: https://www.kaplanfinancial.com/insurance-continuing-education/best-interest-standard-training-courses

C. **Product Training** – Producers who engage in the sale of Federal life's annuity products must complete the following insurer-specific product training prior to the solicitation or recommendation of an annuity.

1. Maxi Saver Single Premium Deferred Annuity
   https://www.federallife.com/single-pay-plan/
2. Flexi Saver Flexible Premium Deferred Annuity
   https://www.federallife.com/multi-pay-plan/
3. Market Shield Plus Index Annuity
   https://www.federallife.com/long-term-growth-with-fixed-and-index-linked-options/

August 4, 2023

4. Immediate Care Plan Underwritten Single Premium Immediate Annuity https://www.federallife.com/immediate-care-plan/

D. **Insurance Continuing Education** – Producers have to keep current with their state's insurance continuing education requirements. Resources for scheduling this include https://www.kaplanfinancial.com/insurance-continuing-education/shop-by-state and https://www.insurancestudy.com/site/statece

E.

F. **Certification of Compliance -** In order to qualify to write Federal Life annuities and comply with this regulation, complete the Producer Certification Form for Annuity Product Training, Suitability Training, and Continuing Education 2022-02 L-8243 and forward it to marketingadmin@federallife.com.

G. **Annuity Suitability Form** - To evaluate each consumer's financial situation, insurance needs, financial objectives, and help satisfy the care obligation, producers must complete the appropriate annuity suitability form with each annuity written. https://agentconnect.federallife.com/forms/pdf/L-8163.pdf.

H. **Producer Disclosure to Consumer Form (Appendix A)** – For each annuity written, Producers are required to use the Producer Disclosure to Consumer Form L-8242 to disclose:

- The scope and terms of their relationship with the consumer
- The types of products they are licensed to sell
- The number of insurers for which they are authorized to sell
- The manner in which they are compensated for their services including a notice of the consumer's right to request additional information regarding cash compensation

I. **Record Keeping** - We recommend that the producer maintain annuity records for at least seven years. Producers are required to:

- Retain copies of all sales documentation used in making the recommendation and anything else that may assist in supporting any recommendation, even if you don't recommend a new annuity to the consumer. This includes, but is not limited to: needs analysis, notes, correspondence, product comparisons, signed carrier application, signed suitability form, signed illustrations, and sales materials
- Be prepared to explain how the product solicitation was completed and why the particular product was selected
- In the case of a replacement, be able to demonstrate that the new annuity purchase is suitable after applicable surrender charges, fees and loss of benefits are taken into consideration

II. Noncompliance and Penalties

Violations of these requirements may be considered evidence of misrepresentation and/or a deceptive act or practice prohibited under state rules and regulations. If a violation occurs either because of the action or inaction of a Producer, the Commissioner of Insurance may:

A. Order a producer to take reasonably appropriate corrective action for any consumer harmed by the agent's violation of this rule

B. Order any appropriate penalties or sanctions applicable in your state

C. Any applicable penalty for a violation of this rule may be reduced or eliminated at the sole discretion of the Commissioner if corrective action for the consumer was taken promptly after a violation was discovered or the violation was not part of a pattern or practice

III. Producer Certification – When training is done, please return this form to marketingadmin@federallife.com.

L-8243 Producer Certification for Annuity Product, Suitability, and CE Training

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