

Life Insurance and Annuity Sales

Doing the
Right Thing

2013 Compliance Guidelines



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AMERICO



A company that is

committed to helping you

build your business in

a manner that is

compliant and ethical.

Americo Financial Life and Annuity Insurance Company is committed to helping you build your business in a compliant and ethical manner. We have compliance programs that are focused on helping you “do the right thing.”

This guide is designed to provide you with a general overview of topics that relate to your business, as well as Americo’s specific guidelines. As a licensed insurance agent, you are required by your Agent Agreement to comply with the insurance regulations of the states in which you do business. Please refer to your state insurance department’s website for specifics.

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We urge you to carefully review this information and incorporate the appropriate regulations into your everyday business practices.

If you have any questions or comments regarding the material contained in this guide, please contact Americo Sales Support at 800.231.0801.

Advertising Guidelines

Americo Home Office approval is required for all advertising materials. This includes advertisements that may not specifically reference Americo or our products by name, but will be used for solicitation of our products.

According to your Agent Application and Agent Agreement, you must obtain written approval for any advertisement used to solicit Americo products before use. State insurance regulations require us to monitor all advertising. In addition, you must keep copies of all materials, including any items that support the statements in your advertisements.

Due to the changing nature of regulations governing insurance advertisements, Home Office approval is valid for up to 12 months. This time period will be shorter if there are any product or rate changes. After 12 months, or after a change to a product, you must resubmit for approval if you intend to continue using the material.

Obtain Home Office approval

Secure approval before investing money in development costs, ad space, or airtime. Submit proposed ads to the Marketing Support Department and allow approximately 15 business days for review. One-page ads may be approved in as little as

five business days depending on the extent of the content. Multiple-page ads and training materials may take longer. Some states may require ad approval by the state Department of Insurance prior to use. Approval may take an additional 30 to 60 days, and is not guaranteed.

Send your advertising for review to marketing.support@americo.com or fax to 816.391.2387.

We will assign the reviewed advertising piece a unique form number upon submission. This form number is used to track your materials so a history of any piece you submit can be maintained.

Submissions should be complete and in writing. Be sure to include everything that will be used in the sale of an Americo product. This includes scripts for presentations and outer envelopes for mailings.

What is advertising?

The National Association of Insurance Commissioners (NAIC) defines advertising as any communication “designed to create public interest in life insurance or annuities, or in an insurer, or in an insurance producer; or to induce the public to purchase, increase, modify, reinstate, borrow on, surrender, replace, or retain a policy.” - *NAIC, Volume 3, Life Insurance, Advertisements of Life Insurance and Annuities Model Regulation.*

It includes, but is not limited to, the following:

- ▶ Brochures, flyers, leaflets, prospecting letters, form letters, lead cards, outer envelopes, and mail stuffers
- ▶ Material used in direct mail, newspapers, magazines, billboards, and posters
- ▶ Internet websites, email and any form of ecommunications, and ecommerce
- ▶ Radio ads, television ads, telephone scripts, telemarketing scripts, and DVDs
- ▶ Seminars and seminar invitations
- ▶ Proposals and illustrations, including supplemental spreadsheets and pages
- ▶ Agent training and presentation material
- ▶ Agent recruiting materials and ads

Avoid using misleading terms such as:

- ▶ “Deposits” or “contributions” when you mean premiums.
- ▶ “Savings,” “equity,” or “investment” when referring to policy descriptions or account features.
- ▶ Words that suggest absolutes, such as “least,” “most,” “best,” “finest,” “unique,” “lowest,” “highest,” “all,” “ideal,” “guaranteed,” “complete,” or “never” unless clearly described and substantiated.
- ▶ “Plans,” “investments,” “savings plans,” “retirement or pension plans,” or “college funding plans” when you are referring to life insurance policies or annuities.

While this list of prohibited terms is not all-inclusive, it provides an idea of what type of words are viewed as misleading or absolutes.

Include the company’s full name and address

Any materials that reference Americo or our products must include our full company name (not just the initials or a shortened version) and city/state. For example:

Americo Financial Life and
Annuity Insurance Company
Kansas City, MO

Clarify you’re selling a life insurance or annuity product

This is the most important requirement for any ad. The type of product, such as term life insurance, universal life insurance, or flexible premium deferred annuity, must be prominent. In ads with a large amount of content, we generally require a disclosure on the first page that explains the ad as it pertains to life insurance or annuities.

If the ad promotes a specific product or rider, the ad must include the product/rider’s formal name and the policy series number (usually in a footnote).

For example, an ad about our term life product, Home Mortgage Series, should include the following information:

“Americo Financial Life and Annuity Insurance Company (Americo), Kansas City, MO, is authorized to conduct business in the District of Columbia and all states except NY and VT. Home Mortgage Series (Policy Series 296/297/301/302) is underwritten by Americo. Riders are optional and available for an additional charge and vary according to state law. Consult policy and riders for all limitations and exclusions. Certain restrictions apply.”

Always be clear, complete, and accurate.

Keep the information balanced:

- ▶ If a non-guaranteed feature is mentioned - such as preferred loans or interest rates - you must disclose that it is not guaranteed

and state how long non-guaranteed rates are available.

- ▶ Policies issued on a guaranteed basis or issued with a modified or graded death benefit often require state-specific disclosures. Contact Americo for information.
- ▶ If promoting add-on benefits and riders, include a disclosure stating they are optional and available for an additional charge.
- ▶ Ads may not mention state guaranty associations or imply state or Federal government endorsements. Do not use emblems or symbols that imply state or federal government endorsements.
- ▶ Advertisements for use in multiple jurisdictions should note the product is not available in all states if that is the case. Avoid the impression that the agency or company is licensed to do business where it is not by indicating where you are licensed in ads that cover multiple jurisdictions.
- ▶ Always include your address and contact information. Some states require agents and agencies to disclose their license number.
- ▶ Ads may not compare life insurance and annuities to savings accounts, certificates of deposit, or any other financial instruments in such a way as to be misleading or deceptive. Any such comparisons must be complete and accurate.
- ▶ Ads may not describe provisions and benefits without fairly and accurately describing all limitations, exceptions, or reductions of benefits.
- ▶ Ads should use correct spelling, grammar, punctuation, style, and tone, as well as create an overall positive impression of the company and the product.
- ▶ All disclaimers and disclosures must be clear, conspicuous, and in a legible font.

Lead letters and postcards

Letters, postcards, and envelopes that are used to generate leads must be approved in writing and prior to use by Amerigo, even if Amerigo's name is not specifically mentioned. Several states have specific requirements regarding lead letters. For example, the inclusion of a lender name is prohibited in many states. Other states prohibit the lender name from appearing in the window of the envelope. The use of lead letters, even if they are coming from a lead generation company, should be monitored closely. Several states have imposed steep penalties on agents using unapproved or misleading letters. Monitor your state requirements closely and be sure to send all letters, postcards, and envelopes for prior approval.

Be careful how you use professional titles

If you are licensed and acting in the capacity of a life insurance agent, do not describe yourself as a "financial consultant," "advisor," "counselor," "planner," or "benefit specialist" unless you are trained and have earned such a designation. Persons with special training and certification, such as a Chartered Financial Consultant (ChFC), generally can use such credentials in advertising, although several states have stringent rules governing such use.

In addition, the use of professional or senior designations in the sales process and in advertisements is an area of concern for many state insurance departments and regulatory agencies. The issue surrounds the use of senior designations by agents to give the appearance of special expertise, knowledge, or skill when dealing with the public, particularly seniors. Please be aware of the issues and your state's regulations. Make sure that you understand and comply with the laws of the states in which you solicit business.

Use statistics and ratings properly

Statistics and ratings must be factual, recent (within the past five years), and relevant, and should show dates as well as sources. Our current financial information and ratings are updated and available on www.amerigo.com. For example: Rating for Amerigo Financial Life and Annuity Insurance Company (Amerigo), 2011. Amerigo Financial Life and Annuity Insurance Company has a financial strength rating of A- (Excellent, 4th out of 15 rating categories.) A.M. Best's rating is assigned after a comprehensive quantitative and qualitative evaluation of a company's balance sheet strength, operating performance, and business profile. A.M. Best uses a scale of 15 ratings, ranging from "A++" to "F."

References to taxation require special care

Ads should not unduly emphasize the tax advantages of life insurance products. Using qualifying language such as "in most cases," "within certain guidelines," and "our understanding of current tax law" may be helpful when discussing tax treatment. If an ad covers policy loans, withdrawals, or face changes, we typically require disclosures that these transactions may have tax consequences.

If tax issues are referenced in your ad, include the following disclosure: "Neither Amerigo Financial Life and Annuity Insurance Company nor any agent representing the company can give legal or tax advice. Please consult a tax advisor or financial planner regarding the information and concepts contained in this material."

Never suggest government sponsorship or endorsement

Do not use terminology or symbols that might imply any government connection or endorsement. Ads that discuss government programs such as Social Security or veterans' benefits, or that use symbols closely identified with the government, such as military insignias, stars and stripes, eagles, or pictures of Uncle Sam, are prohibited. Also, envelopes or packaging that imply a government affiliation are prohibited.

"State laws require Amerigo to monitor all advertising, which is why we require you to submit all advertising to us for review and approval prior to use."

Treat the competition fairly

Ads cannot disparage other insurers, financial institutions, their representatives, or their products. Unfair or incomplete comparisons of products, rates, values, or benefits will not be approved.

Indexed product ads have special requirements

Advertising of indexed products is highly regulated. The regulations are lengthy and vary by state. Be sure to check your state's regulations when developing your advertising for these products.

Internet advertising

Insurance Department advertising regulations apply to all internet advertising. You must submit any advertising you would like to post to the internet, including websites, to Amerigo for written approval. Amerigo does not allow the use of social media, or specific websites (e.g., Facebook, Twitter, Craig's List) to market our products or recruit agents to sell Amerigo products.

Some additional requirements are unique to Internet advertising. Please take these guidelines into consideration before submitting your Internet advertising or website for review:

- ▶ The website or internet advertisement must contain the name of the person or entity contracted to represent Amerigo, as well as a business address and phone number.
- ▶ If the website is intended for agents only, this should be clearly noted on each page.
- ▶ The website or internet advertisement must disclose the states where the person or entity is (or is not) licensed and contracted to solicit insurance products. (Example: XYZ Agency is licensed in WA, CA, & OR).
- ▶ The website must include the agent's license number in certain states.
- ▶ All Amerigo product descriptions and information posted must be submitted for review.
- ▶ All Amerigo product descriptions and information must be updated immediately upon notification of product or rate changes, availability, and other information as required.
- ▶ Any changes in website material must be documented before the website is updated. Screen prints or screen "shots" must be dated, printed, and kept in your own advertising compliance files.
- ▶ Websites that provide time-sensitive information must have a revision or a "last changed" date.

Pre-approved advertising

We offer many pre-approved ads for your use. These ads can be customized with your information and are compliance approved. Call Amerigo Sales Support at 800.231.0801 to find out more!

The collage features four distinct advertising pieces:

- Home Mortgage Series:** An advertisement with a chalkboard background showing math problems (3+3=6, 4+4=8). It highlights features like "Can help protect your mortgage and your family against economic hardship caused by death, disability, unemployment, or critical illness" and "Pay money to your family, even if you die, in the case of your death".
- LifeCrest Index:** A form titled "LifeCrest Index" with a sub-header "a great companion product for your mortgage portfolio". It includes a checklist for "LifeCrest Index" and "LifeCrest Index" with checkboxes for "Term address", "Annual premium", "Cash value", "Death benefit", "Policy loan", "Surrender value", and "Health and safety".
- Universal Life:** An advertisement titled "IMPORTANT THINGS IN LIFE DO NOT HAVE TO BE COMPLICATED. KEEP IT SIMPLE WITH SIMPLIFIED ISSUE TERM & UNIVERSAL LIFE". It lists benefits such as "Flexibility to meet life's changes", "Simple Life or Universal Life Coverage", "Monthly of \$25,000 - \$2,000,000 - \$100,000", "Level Standard Benefit", "Qualify for long-term care", "Duration of disability", "High tax rates", "Direct Access to Your CD", and "Competitive Commission".
- How can you ensure that you won't be a burden to your loved ones after you're gone?:** An advertisement with a background of red leaves. It asks "How can you ensure that you won't be a burden to your loved ones after you're gone?" and lists "Life Insurance", "Disability Insurance", "Long-Term Care Insurance", and "Medical Coverage".

Financial Suitability

Guide to Annuity Suitability

What is suitability?

The appropriate sale of our products is something that Amerigo takes seriously. As an agent, it is your responsibility to carefully consider the suitability of each sale you make. Most states have enacted legislation which requires the company and the agent to have “reasonable grounds for believing the recommendation is suitable for the consumer...”

Suitability refers to the determination of whether the annuity sale is reasonable considering the applicant’s needs, objectives, and current financial status. In making the suitability assessment, you must consider your client’s risk tolerance, current income, access to cash, age of the owner, and the customer’s retirement needs and objectives. Money used for an annuity should be from funds that can be allowed to grow and not from funds needed to meet current financial obligations.

Suitability review

It is very important that you carefully consider the suitability of any product. Before recommending a product to a consumer, gather information and carefully consider and discuss the client’s needs. You should not have a “cookie cutter” approach to recommending products.

Although there are no “right” or “wrong” questions to ask each customer, below is a list of sample questions you may find helpful when doing a suitability analysis:

- ▶ What is the client’s main financial objective?
- ▶ How will the purchase of this annuity help achieve this objective?
- ▶ Will the consumer have adequate liquid assets/income for current and future needs?
- ▶ Does the consumer understand how the annuity works and the associated surrender period/charges?
- ▶ If the client was a close friend or family member would you make the same recommendation?

We require the use of the Financial Suitability Form for all annuity sales to seniors, and to consumers of all ages where required. Please keep in mind, simply completing

Effective June 2013, all states will require a suitability form for all ages for the sale of an annuity.

the suitability form does not alleviate your responsibility in making a suitable recommendation. It is your responsibility to be familiar with the customer’s needs and make recommendations that are appropriate for individual customers.

Internal Suitability Review Guidelines

Our Internal Suitability Review Guidelines comply with the Suitability in Annuity Transactions Model Regulation and these guidelines are not based on strict percentages of net worth. A variety of factors will be reviewed, including liquid assets, sources of funds, age, and monthly disposable income. We will however automatically decline cases that include the following:

- ▶ Client resides in a nursing home
- ▶ Client is left with no liquid assets for emergencies
- ▶ Source of funding is a reverse mortgage or home equity loan
- ▶ 100% of client’s net worth is annuities

In the case of Amerigo products which allow for additional premiums, if new premium is received more than 90 days after an annuity is issued, or the source of additional funds involves a replacement, we will require a new suitability form to be completed and a new suitability review will be conducted.

Replacements and Suitability

What are Replacements?

The definition of ‘replacement’ according to the NAIC Life Insurance and Annuities Replacement Model Regulation is:

A transaction in which a new policy or contract is to be purchased, and it is known or should be known to the proposing producer, or to the proposing insurer if there is no producer, that by reason of the transaction, an existing policy or contract has been or is to be:

1. Lapsed, forfeited, surrendered or partially surrendered, assigned to the replacing insurer or otherwise terminated,
2. Converted to reduced paid-up insurance, continued as extended term insurance, or otherwise reduced in value by the use of non-forfeiture benefits or other policy values;

3. Amended so as to the effect either a reduction in benefits or in the term for which coverage would otherwise remain in force or for which benefits would be paid;
4. Reissued with any reduction in cash value; or
5. Used in a financed purchase.

It is very important that you carefully consider the suitability of any replacement and ensure your client understands the advantages, disadvantages, and potential impact, of a replacement. Factors to consider include guaranteed interest rates, loss of existing benefits, potential surrender charges on the existing annuity contract or life insurance policy and the new surrender charge period of the replacement.

Replacement Requirement Guidelines

Each replacement case will be reviewed individually; however, you should consider these guidelines:

- ▶ A “like-to-like” replacement (fixed annuity to fixed annuity) requires a close review by our suitability team. We will consider surrender charges, product enhancements, and rate comparisons, among other factors in looking for an apparent benefit for your client.
- ▶ Replacements for consumers age 70 - 74 will be considered, but will require extra scrutiny. In most cases we will not be able to accept the replacement if it is coming from another fixed annuity.
- ▶ We will not accept undisclosed replacements and, when identified, the application will be rejected.
- ▶ Based on the current interest rate environment, we will not accept any annuity replacements for clients ages 75+.

Your responsibilities as an agent

- ▶ Make sure you comply with all applicable suitability and replacement laws and regulations.
- ▶ Know and apply the definition of replacement.
- ▶ Thoroughly evaluate and discuss the circumstances of the replacement with the client to help them make a decision that is in line with their financial needs and objectives.
- ▶ Provide the client with relevant and appropriate information so that he or she can make an informed decision.
- ▶ Be certain to disclose if a replacement is involved, and disclose appropriately on the application or on any other required form.
- ▶ Ensure the required replacement notice is given to the client and signed and dated by the client on the same date as the application for coverage.
- ▶ Document your conversations with the client and make notes about why you recommended the product. It is important to keep this documentation in each client’s file in case there are ever future questions. At a minimum, these records should be maintained for five years. We strongly recommend that you retain all suitability information in a client file for as long as the contract remains in force.

Failure to send in the appropriate forms and/or to comply with the replacement requirements can lead to a delay in policy issue.

Agents who engage in excessive or inappropriate replacement activity, or fail to disclose relevant replacement activity, will be subject to company sanctions, up to and including, termination of their appointment and Agent Agreement with Amerigo. In addition, agents may be subject to penalties imposed by the state where the application was taken. These penalties include substantial fines and or suspension or revocation of their license to sell insurance.

Completing the Financial Suitability Form

The Financial Suitability Form (AAA8378 (12/11)) should be used for all annuity sales when required. The suitability form should be completed and signed by the applicant during the sale. When completing the form, please keep the following in mind:

General requirements:

- ▶ Complete and accurate information must be provided. If subsequent changes are made to the Financial Suitability Form, documentation of these changes may be required. This may include providing copies of bank records, annual statements, or other financial documentation.
- ▶ Any changes made to an existing form will require a client's signature and current date.
- ▶ If you are replacing an annuity, please carefully verify the surrender charges that will be assessed. If the surrender charge amount shown does not closely approximate the actual surrender charge amount when transfer is received, funds will not be accepted and the application will be returned.
- ▶ A detailed summary should be provided by the agent in the Agent Acknowledgment section. Provide as much detail as possible regarding your suitability review of the sale. If the annuity is a replacement, it is important that you include the factors that you believe make it a suitable replacement. Some questions to consider and address include: Why does the new annuity deliver a better value to the client? How does it provide a benefit not available with their current product?
- ▶ In Arkansas or Utah: if you are replacing a variable contract, mutual funds, stocks, etc., you must be a registered securities representative. Please complete form AAR8329 in Arkansas or form AUT8329 in Utah.

Replacement section:

- ▶ Provide as much detail as possible regarding the replaced product. This will decrease the likelihood we will need to contact you or your client for additional information.
- ▶ Give a detailed agent statement regarding the suitability of the replacement. Give specific reasons as to why you are recommending the replacement.

A New Business representative may contact you or the client to obtain additional information if they have questions as a result of their review of the annuity application and suitability form.

Under the 2010 NAIC model regulation, agents are required to complete both product-specific training and general annuity training. For a list of states that require this training, please visit www.americo.com. Below are instructions for how to complete the training requirements:

Product-specific training

On-line training through LIMRA is fast and easy. The steps are as follows:

1. Go to LIMRA: <https://naic.pinpointglobal.com/Americo/apps/default.aspx>
2. Log In: Select either First Time Visitors, or Returning User.
3. First Time Visitor Registration: You will be asked for your name and address. You will also be asked for your NPN (National Producer Number). If you do not know it, there is a link in this section to obtain this number. You will be asked for either your Social Security number or Insurance License number.
4. Select My Product Training on the right hand menu.
5. Select either Fixed Annuity Training or Indexed Annuity Training.
6. The system will walk you through the full training presentation. You will be asked to acknowledge that you have read and understood every page of the training.
7. After you click “Yes”, your Acknowledgement of Completion will automatically be sent to Americo within 48 hours.

If you have technical questions on the LIMRA training website, please call 888.577.5522.

State-specific General Annuity Training

General Annuity Training can be completed through LIMRA (actual course content and administration is provided by The National Underwriter Company). Please follow the instructions above under Product-specific training, but select My State Specific Training instead of My Product Training.

You will have two options when selecting a General Annuity Training Course:

1. Complete the state’s requirement for completion of General Annuity Training. This version is \$5.00.
2. Complete the state’s requirement for completion of General Annuity Training and earn CE credit. This version is \$19.99.

Regardless of your selection, Acknowledgements of Completion for these courses will automatically be sent to Americo within 48 hours. Should you complete General Annuity Training through Kaplan, STC, RegEd, SuccessCE, WebCE, QuestCE or Sircon, you can upload your certificate(s) of completion in the My State Specific Training section. Follow the same instructions above, but select Upload Certificate and browse to find the file on your computer for upload. Confirmation of your completion of this request will be automatically sent to Americo within 48 hours.

If you have technical questions on the LIMRA training website, please call 888.577.5522. Any certifications achieved outside of LIMRA can be submitted to Americo’s Licensing Department in one of the following ways:

- Fax: 800.395.9238
- Email: NBDI@americo.com
- Mail: PO Box 410288, Kansas City, MO 64141

STOLI & STOA

Stranger-Owned Life Insurance (STOLI)

Stranger-Owned Life Insurance (STOLI) arrangements are prohibited by Americo and as an agent you should not engage in any STOLI arrangement. STOLI is an arrangement in which an insurance contract is formed with the intention of assigning ownership and death benefits to investors with no insurable interest.

It is exactly the opposite of how life insurance is intended to work. According to Sandy Prager, Kansas Insurance Commissioner, “In a traditional life insurance policy, the hope is that you will live as long as possible and that your loved ones will eventually receive the payout from your policy. STOLI is the exact opposite – the hope is that you will die soon, and the beneficiaries will be total strangers.”

These arrangements are being closely scrutinized and monitored by state regulators and industry associations.

The issue relates to circumventing state insurable interest statutes. For the purposes of life insurance, a person or an acceptable entity has an insurable interest in another life if the loss of that life would cause the person to suffer a financial loss. This is enforced by insurance companies, including Americo, by restricting the owner and beneficiary of a policy to parties that would suffer an economic loss if the insured dies. This person is typically a close relative or a business associate.

STOLI arrangements violate the insurable interest laws, which are designed to ensure that a person buying a life insurance policy has an economic interest in the continued life – not death – of the insured. STOLI arrangements lack an insurable interest between the insured and the owner or beneficiary.

Oftentimes, a trust is established specifically to facilitate the STOLI arrangement. The trust is then named as the beneficiary of the policy and the trustees are the “stranger” investors. In many cases, consumers are promised “free life insurance” for a period of time. The consumer may also be given an inducement to enter into the arrangement. They may also be sold on the promise of large settlements or buyouts of the life insurance policy at some future time by investors. Unfortunately, these marketing activities focus on seniors who may be misled by the perceived financial benefits.

In addition to actions taken by regulatory authorities, engaging in a STOLI arrangement may result in serious consequences, including termination of your Americo Agent Agreement and appointment.

Stranger-Originated Annuities (STOA)

Like STOLI transactions, under stranger originated annuity (STOA or STAT) transactions, investors seek to obtain annuity contracts or the benefits paid under annuity contracts for investment purposes. Third party investors may pay a fee or other benefits to individuals with whom the investors have no relationship. The individual applies for an annuity with the individual as the annuitant. After its purchase, the annuity or the benefits under the annuity will be transferred to the investors. Depending upon the benefit being obtained, the investor may seek individuals who are in poor health and are not expected to live longer than a year. Other investment schemes may seek different types of individuals.

Stranger-originated annuity arrangements are prohibited by Americo and as an agent you should not take part in any STOA arrangements.

Privacy

Protecting the privacy of your clients' personal information ...

All of us have an expectation of privacy. The same is true of your clients. They expect you to protect any information they give you, which they believe is private. This expectation has a legal basis as well. Regulations and statutes governing the handling of personal information have been issued at both the Federal and state levels, the most notable legislation being the Gramm-Leach-Bliley Act (GLBA) and the Health Insurance Portability and Accountability Act (HIPAA).

Here are several practical, common sense steps you can take to protect the privacy of your clients:

- ▶ Keep the information you gather from a client secure. Do not leave applications, exam copies, bank draft cards, or voided checks in plain sight on your desk or in your car.
 - ▶ Keep historical information on your clients in locked cabinets.
 - ▶ Do not discuss the medical history of any applicant with others.
 - ▶ Do not include the Social Security number, driver's license number, or other personal information in an unencrypted email.
 - ▶ Do not leave a laptop containing personal information on clients in your car. Stolen or misplaced laptops are the number one source of privacy breaches.
 - ▶ Password protect the files stored on your laptop and, if possible, encrypt your files.
 - ▶ Shred documents containing the personal information of your client; do not just place them in the trash.
 - ▶ Set your phone or email device to lock after a few minutes of inactivity.
- There are often relevant business reasons for you to have information on policyholders for whom you are not the agent-of-record. Most often, this occurs if you have agents in your downline who leave the business, retire, or are no longer appointed by Americo. It is very important that this information be kept secure. If you intend to contact these policyholders to assist them with an Americo policy, please follow these guidelines:
- ▶ If you contact the client by letter, you should include the manner by which you obtained their contact information. For example, "*My name is John Doe, and I am a business partner of the agent who originally wrote your policy with Americo. John Doe is no longer an active agent in your state....*" A very common response by consumers is to believe that their privacy has been breached if they receive mail from a stranger that contains information that is not public knowledge. (For a preapproved letter, please see the Compliance Section of Americo.com.)
 - ▶ If you contact the consumer by phone to discuss their policy, please identify yourself and explain how you obtained their name and policy information.
 - ▶ Any client information you inherit from other agents must be kept as secure as that of your own policyholders.
 - ▶ If you have no intention of using the policyholder information you have on file, please securely destroy it.
 - ▶ If the policyholder wants the agent of record on their policy changed, this request must be submitted in writing to Americo by the policyholder.
 - ▶ Report any privacy breach to Americo's Legal Department immediately.

Good communication and adherence to privacy guidelines are good business practices.

Encryption

Americo utilizes encryption for outgoing emails that contain confidential customer or policy information. The first time you receive an encrypted email, you will be asked to create a password and verify your email address. After that, when you receive one of these emails, you simply need to remember your password. It's simple and easy, and it eliminates waiting for faxes or regular mail. If you have any questions or problems, call the person who sent the encrypted email, and that associate will be happy to walk you through the set-up process.

The “Do Not Call” Registry

The FCC and FTC Telemarketing Sales Rules established a “Do Not Call” Registry allowing consumers across the country to avoid receiving certain types of telephone solicitations by registering their telephone numbers in a national database. Businesses that telemarket to residences must access the “Do Not Call” Registry at least once every 31 days to ensure the numbers they are calling are not listed on the registry.

There are charges associated with the registry, if you are accessing more than five area codes. For more information, refer to the Telemarketing Sales Rule on the FTC’s website, www.ftc.gov.

Fax machines

Generally, the rules prohibit faxing advertisements without the express written consent of the recipient. The section of the rules that specifically cover the insurance industry state that consent is required even when an established business relationship exists. This rule supplements an existing Federal rule that requires advertisers to obtain permission before faxing to recipients with whom they do not have an established business relationship. States have also passed laws regarding fax machines, and many of those are more restrictive than the Federal law. Please make sure you are familiar with the laws that govern the states in which you conduct business.

State “Do Not Call” legislation

Most states have passed their own “Do Not Call” laws. Often, state laws are more restrictive than Federal law. Many states have extended the Federal law limits to cover other types of communication devices such as facsimiles, text messaging, pagers, and cellular phones.

Many state “Do Not Call” laws allow the attorney generals of the state to investigate and prosecute violations of the state and Federal “Do Not Call” laws. Make sure you are familiar with these state laws.

Because there may be questions about whether or not the laws apply to insurance agents or agencies, be aware that, in some states, the laws indicate they apply specifically to calls made with the intent to sell or promote any investment, insurance, or financial services product.

“Do Not Call”
Registry is
available at
www.donotcall.gov

Email communications

The CAN-SPAM Act requires senders of commercial email to provide recipients with an opportunity to opt-out of receiving additional email messages. “The Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003” “CAN-SPAM” supersedes any state or local law that expressly regulates sending commercial emails with the exception of state laws that prohibit false or deceptive commercial emails.

To avoid fines, penalties, and possible jail time, please understand the CAN-SPAM Act and ensure your emails comply before using in your sales and marketing efforts. The Act can be found at www.ftc.gov/spam. Visit the site for complete details. A few tips to get you started:

- ▶ Never use subject line information that is false or misleading.
- ▶ Always indicate whether an email is an advertisement by beginning the subject line with “ADV”, followed by an accurate statement of the subject.
- ▶ Provide a means for recipients to unsubscribe to future emails. Explain in each email how recipients submit unsubscribe requests.
- ▶ Act quickly! You typically only have 10 days to honor a recipient’s opt-out request after it is sent to you.
- ▶ Include a valid, physical postal address in all email transmissions.

Designation Laws

The use of professional or senior designations in the sales process is an area of concern for many state insurance departments and regulatory agencies. The issue surrounds the use of senior designations by agents to give the appearance of special expertise, knowledge, or skill when dealing with the public, particularly seniors. Please be aware of the issues and make sure you understand and comply with the laws of the states in which you solicit business.

Please check americo.com and your state's website for updates regarding state regulations on professional or senior designations.

Tax, Legal, and Investment Advice

Tax and legal advice

As an insurance agent, you are not authorized to provide legal or tax advice. If your client has questions regarding taxation of insurance products or any legal questions, they should be referred to a qualified professional. If an ad you create refers to tax benefits, policy loans, or other policy features, advise policyholders to seek tax advice and ALWAYS include the disclosure referenced on page 6.

Investment advice

As an insurance agent, you are not authorized to provide investment advice. Your state may have specific regulations regarding this.

Many states prohibit insurance agents from providing investment advice to clients without first obtaining the appropriate securities licenses and/or registrations. For example, Arkansas and Utah have specific regulations requiring any agent who recommends the replacement of a security with a life insurance product to have an appropriate securities license. Other states may have similar requirements. Please familiarize yourself with the requirements in the states where you conduct business and comply. Penalties for violations could result in the loss of your insurance license and termination of your Agent Agreement and appointment.

Please check the regulations in the states in which you do business.

Witnessing Applications

If you are signing an application as the witnessing agent you must be present at the sale. You cannot have another agent take the application and then subsequently sign the application as the witnessing agent. This practice can lead to disciplinary action including termination of your Agent Agreement.

Replacements

Replacement is any transaction in which a new life insurance policy or new annuity contract is purchased and, because of this transaction, an existing life insurance policy or annuity will be changed.

When a life insurance policy or annuity is replaced, one of the following will occur with the existing coverage:

- lapse, forfeit, surrender or partial surrender, assignment to the replacing insurer, or otherwise termination.
- convert to paid-up insurance, continue as extended term insurance, continue under another form of nonforfeiture benefit, or otherwise reduce in value by other policy values.
- be amended to affect either a reduction in benefits or the term for which coverage would otherwise remain in force, or for which benefits would be paid.
- reissue with reduction in cash value.
- be used in a financed purchase.

If one of the above transactions is processed on an existing life insurance policy or annuity contract.

State requirements

Many states have adopted replacement regulations for life insurance and annuities, and compliance with these regulations is required when doing business in those states. The regulations are designed to help protect the interests of consumers by ensuring they have considered the consequences of replacing their existing policy with a new one. State requirements vary and should be followed carefully. It is also important to use the correct replacement forms for your state. Please review the Replacement Communication on www.americo.com in the Compliance section.

Agent's responsibility

We recognize that in certain instances replacements are appropriate and advantageous to clients. However, inappropriate replacements may lead to complaints, regulatory action, and litigation. If replacement is contemplated, it is important that you help the client determine whether replacement is appropriate and in line with the client's goals and objectives. When replacement is considered, the policyowner or contract owner needs to recognize the potential disadvantages of

replacement, any possible alternatives to replacement, as well as the benefits of replacement. Refer to the Replacement Appropriateness Agent Verification Form #12-108-1 to find factors an agent should consider with each replacement. A Replacement Form is required in some states. Check Americo.com for exact requirements.

It is to your benefit to correctly identify replacements, complete the appropriate replacement forms, and submit them with the application. Doing this will help avoid delays in the processing of business and help ensure compliance with replacement regulations.

When working with your client to replace an existing product, we recommend you follow these guidelines:

- Ensure that the required replacement form is shared with the client and signed and dated on the same date as the application for coverage.
- Make sure you comply with all applicable suitability and replacement laws and regulations.
- Know and apply the definition of replacement.
- Thoroughly evaluate and discuss the circumstances of the replacement with the client to help the client make a decision that is in line with his financial needs and objectives.
- Provide the client with relevant and appropriate information so he can make an informed decision.
- Be certain to disclose if a replacement is involved, and disclose appropriately on the application and on any other required form.

Agents who engage in excessive or inappropriate replacement activity, or fail to disclose relevant replacement activity, will be subject to company sanctions up to and including termination of their Agent Agreement with us. In addition, you may be subject to penalties imposed by the state where the application was taken. These penalties include substantial fines, suspension, or revocation of your license to sell insurance.



Sale of Ancillary Programs

As an independent agent, you may be promoting and selling ancillary products and services (i.e., prescription drug cards, discount health care, Medicare Advantage, or funeral planning). These programs may be offered to the same consumer to whom you are soliciting life insurance and annuity products. As these non-life insurance programs become increasingly popular, the number of consumer complaints has increased. Complaints directed toward insurance companies and agents are often a result of the consumer's misunderstanding that the sale of life insurance is not related to the sale of these ancillary programs.

Some important points to remember and incorporate into your sales practices include:

- The use of misleading, deceptive, or untrue statements is strictly prohibited.
- It must be communicated to the consumer that the life insurer and its products are not related to these ancillary programs.
- There must be a clear distinction between the sale of ancillary programs and the sale of life insurance products.
- The opportunity to purchase an ancillary program or benefit can never be made contingent upon the purchase of a life insurance policy, or vice versa.
- The insurance premium must be communicated as a separate and distinct charge.

If you are offering ancillary products, please refer to your state's regulations.

Reverse Mortgages

The purchase of an annuity or life insurance policy cannot be required as a condition to obtain a reverse mortgage. Americo does not accept funds from reverse mortgages for annuity premiums.

Many states have recently enacted specific legislation addressing reverse mortgages. Please check your insurance department's website for details.

Filing Claims

Reporting a death claim

When you are notified of the death of an insured, please contact (or have the deceased's family contact) Americo's office immediately at 800.231.0801. A representative will assist you in completing the necessary steps for reporting a claim. Claim forms are also available for download at www.americo.com. When submitting a claim, please include the following information:

- The initial claim form, dated and signed
- The policy number and insured's name

After we are notified of the insured's death, claim forms are generally sent within two business days of notification. The claim is pended until all necessary documentation is received. The length of time for completion of the claims process varies and is dependent on the availability of records and the receipt of the claim forms. Claims that occur during the contestable period of the policy may require additional documentation and, as a result, may extend the claims review process.

Anti-Money Laundering

Producer's Guide to Anti-Money Laundering

As an insurance producer, your skills and services help your clients achieve financial success and security. Because you are on the front lines of a multi-billion dollar industry, you are in a unique position not only to serve your clients, but also to serve the country by helping prevent money laundering and the financing of terrorist activities.

To comply with Federal anti-money laundering regulations for insurance companies, Amerigo Financial Life and Annuity Insurance Company has a detailed anti-money laundering program. You have an important role to play in that program. As a person who deals directly with customers, you are often in a critical position to obtain information regarding the customer, the customer's source of funds for the products you sell, and the customer's reasons for purchasing an insurance product.

In order to sell life insurance and annuities, we require:

- For the Primary Insured, Owner if other than the Insured, and the Payor if other than the Insured or Owner:
 - Obtain full name, residence or business address, prior addresses, time at current address, date of birth, place of birth, Social Security or Federal Tax Identification Number, occupation, and telephone number.
 - Request and review a government-issued photo I.D. for each customer.

All Amerigo applications include sections to document the information above for the Primary Insured or Owner if other than the Insured, and select applications also include a section for the Payor, if other than the Insured or Owner. If a client is unwilling to provide you with such information, it may be an indication the client is trying to hide something. You should explain this information is required to ensure compliance with Federal law. If the client is not willing to provide the required identifying information, please contact the Home Office for further instructions.

Notify us if you detect any money laundering red flags so the Company can take proper steps. The following are examples of red flags:

- The purchase of a product that appears to be inconsistent with a customer's needs.
- The applicant is reluctant to provide normal identifying information when applying for a policy, or provides minimal or fictitious information.
- Transactions involving a party that has no apparent relationship to the customer.
- The customer is not concerned with the expected performance of the policy but instead focuses on penalties associated with early withdrawals.
- The customer provides a substantial premium with the application but then fails to cooperate with the agent and company to secure the necessary requirements to issue the policy. This lack of cooperation then leads to a not taken or withdrawn application and refund of premiums submitted.
- The applicant purchases policies in amounts that are not proportionate to income or needs.
- The purchase or funding of a product that appears to exceed a customer's known income or liquid net worth.
- Any attempted or unusual method of payment, particularly by cash or cash equivalents such as money orders, cashier's checks, or traveler's checks.

- Payment of a large sum broken into small amounts.
- Any other activity which you think is suspicious.

Reporting suspicious transactions

If you have questions about our Anti-Money Laundering program or have suspicions about a transaction, you should contact Americo's Compliance Officer handling USA PATRIOT Act Compliance: Cathy Cavitt, Vice President-Compliance at 800.366.6565, ext. 2160.

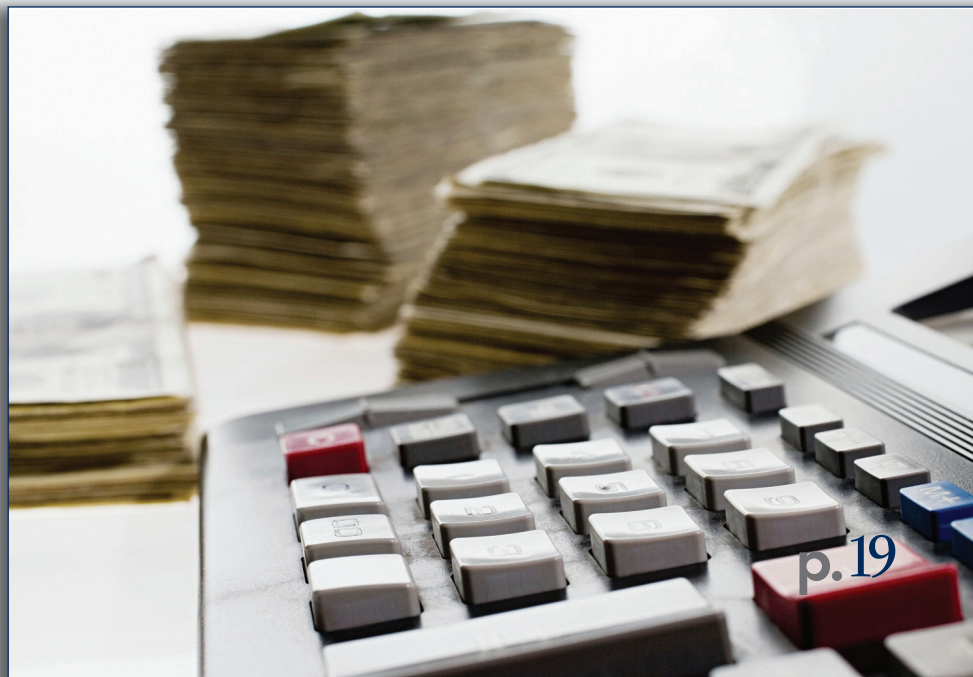
The AML Compliance Officer has the sole responsibility for responding to any inquiry regarding the subject matter of any Suspicious Activity Report (SAR). An agent must not, under any circumstances, disclose the fact that a SAR has been filed or considered, or the contents of a SAR to any third party.

Payments

We will not conduct business involving illegal funds. Care must be taken to identify the ownership and source of the payment. Therefore, the following forms of payment will NOT be accepted:

- Checks not payable to Americo (third-party checks)
- Checks drawn on the personal or business account of someone other than the Insured, Owner, or Payor without a written explanation as to the relationship of the account holder to our customer
- Money orders
- Checks or wire transfers from a foreign bank without prior approval from Compliance
- Cash equivalents, such as bank drafts and traveler's checks, without a written explanation of the source of funds. In no event will a cash equivalent for more than \$5,000 be accepted without prior approval from Compliance. Please contact Americo Sales Support for assistance.

The company and its producers share an important responsibility to comply with the company's anti-money laundering program and all applicable laws. Failure to do so will constitute grounds for discipline up to and including termination. In addition, violation of anti-money laundering laws may expose those responsible to substantial penalties under Federal law.



Anti-Money Laundering Training

All agents who sell cash value products (or plan to sell cash value products in the future) must complete anti-money laundering training every two years. Cash value products include annuities, term with cash value, whole life, and universal life products.

We offer free anti-money laundering training through LIMRA. LIMRA's Anti-Money Laundering Training Course is fast and easy.

Accessing the LIMRA Anti-Money Laundering Training Course

- ▶ Log onto the course at <https://aml.limra.com>. You can also link to this website by visiting www.americo.com and clicking on the special Anti-Money Laundering section.
- ▶ Your Username is the first four letters of your last name (lowercase) combined with the last six digits of your Social Security number.
- ▶ If this is your first time logging on to the site, your Password is your last name (lowercase). If you have previously accessed the course, please use the password you created at that time.

Please note that you will not receive a paper certificate upon completion of the course. The Home Page indicates the percentage of the course you have completed. If your progress is less than 100%, you did not complete the entire course. When your progress is 100%, you have completed the entire course. Please print the completion screen for your records. You do not have to notify our office when you complete the AML Training Course. LIMRA will provide a report informing us that you have completed the course.

Should you have technical questions related to accessing the training site, navigating within the LIMRA site, or forgot your password, please contact LIMRA's customer support help line at 866.364.2380.

Any other questions can be directed to Americo Sales Support at 800.231.0801.



Questions & Answers about AML Training

I took AML training with another company, but it was not LIMRA training. Do I have to take the LIMRA training?

Yes. All agents must complete LIMRA's training before selling any cash value products. Keep in mind, the training is free, quick, and easy.

I only sell Home Mortgage Series. Do I need to take AML training?

Yes. Even though Home Mortgage Series is a term product, if you sell HMS with the Cash Back Option, you are required to complete the training.

How often do I have to take the AML training?

All agents who sell cash value products are required to take Anti-Money Laundering training every two years, as long as they remain contracted with us.

What does LIMRA's AML training cover?

- ▶ What is money laundering and what do I need to know about it?
- ▶ How does money laundering occur in the insurance industry?
- ▶ What are my responsibilities to prevent money laundering?
- ▶ What are common red flags indicating the possibility that money is being laundered?

Will I be terminated if I do not complete the training?

No. If you plan to submit any cash value business, you must take the training before any business will be processed.



Americo Financial Life and
Annuity Insurance Company
300 W. 11th Street
Kansas City, MO 64105

About Amerigo

For over 100 years, Amerigo Life, Inc.'s family of insurance companies has been committed to providing the life insurance and annuity products you need to protect your mortgage, family, and future.¹ We listen to what you want from an insurance policy or annuity and do our best to provide a proper solution for your individual situation.

Innovative thinking has helped us build a strong financial foundation for our business. Amerigo Financial Life and Annuity Insurance Company (Amerigo) is a member of the Amerigo Life, Inc. family of companies. Amerigo Life, Inc. is one of the largest, independent, privately held insurance groups in the United States² with over 718,000 policies, over \$35 billion of life insurance in force, and \$6.1 billion in assets for year-end 2011.³

¹Americo Life, Inc. is a holding company and is not responsible for the financial condition or contractual obligations of its affiliate insurance companies.

²"Admitted Assets, Top Life Writers-2012," A.M. Best Co., as of July 2012.

³Information is as of year end 2011 on a consolidated basis for Amerigo Financial Life and Annuity Insurance Company and the other life insurance subsidiaries of Amerigo Life, Inc., unless otherwise indicated. Information is prepared on the basis of generally accepted accounting principles (GAAP).