



FARMERS LIFE INSURANCE COMPANY

# Annuity Producer's Market Conduct & Compliance Guide



2023



## FARMERS LIFE INSURANCE COMPANY

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To Our Valued Producers,

With pensions declining, longevity increasing and a number of uncertainties likely to arise on the journey of life, Americans are increasingly burdened with navigating a complex road to retirement. As an insurance agent and annuity producer, you play a vital role in helping individuals and couples meet their planning objectives and retire with confidence. In doing so, we recognize that you have a choice of financial institutions, insurance companies and organizations to partner with in conducting business. We are humbled and grateful to have you as part of the Farmers Life Insurance Company family.

Our agents, agencies and marketing organizations are integral to our mission:

***To design and deliver insurance solutions that meet the needs of everyday, hardworking Americans with the willingness to plan today for their desired tomorrow.***

That is why we are committed to providing you with the support and resources you need to achieve and sustain meaningful success. By helping you conduct fair, honest and ethical business, Farmers Life is putting our agents in a position to adhere to evolving legal and regulatory requirements, ultimately working to keep our business, your practice and our collective clients protected.

In this guide, you'll find a high-level overview of some of the most important rules and regulations pertaining to prospecting, soliciting and selling annuities. This is intended to provide you with an awareness of various federal and state requirements for conducting business in the states in which you are licensed. Keep in mind that awareness is only the beginning, particularly as regulatory scrutiny increases and more stringent sales guidelines are enforced. Regardless of what lies ahead, Farmers Life will be by your side working to keep you one step ahead of changes.

Thank you for your hard work and partnership.

Sincerely,

*Benjamin Jacobs*

Ben Jacobs  
President & CEO  
Farmers Life Insurance Company

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## FARMERS LIFE INSURANCE COMPANY

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### I. Marketing & Advertising

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#### A. Advertising Guidelines

The National Association of Insurance Commissioners (NAIC) model regulations on advertising state that any material designed to create public interest in life insurance, annuities, investment products, an insurer, or in an insurance or registered representative is considered advertising. Both marketing pieces and sales literature fit within the definition of advertising.

*Advertisements are pieces used to reach multiple clients or prospects directed at the public at large or targeted to a segment or segments of the general public (e.g., TV or radio commercials, billboards, websites, etc.). This includes sales literature, which is any piece designed for distribution to multiple clients or prospects in which there is a measure of control over who will receive or view it (e.g., consumer brochures, direct mail ads and letters, etc.).*

Additionally, if any piece does not fall within the strict definition of advertising, but may be used to solicit the sale of financial products, it still should be considered advertising. If it could reasonably end up in a prospect's hands so that a purchase decision could be made, it should be considered advertising. This may include, but is not limited to:

- “Pre-approved” ad slicks that have been personalized
- Websites, microsites or landing pages and any form of e-commerce, which must be submitted with link to website or in printed format
- Product brochures, circulars, whitepapers 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
- Consumer advertising, including emails or email signatures referencing the Farmers Life name, logo, description, products, services, rates or features
- Lead cards and lead-generating material
- Business cards, letterhead and stationery
- Producer biographies
- Producer recruiting and training materials
- Sales illustrations
- Third-party software
- Materials used to recruit other producers



- Social media and digital directory listings
- Podcasts, videos, audio or video scripts, or other digitally produced files

Any communication designed exclusively for providing client service to contract holders that does not promote the insurer, product changes or new products IS NOT advertising. It is not designed to solicit a sale. Such materials should be clearly labeled “FOR AGENT USE ONLY. NOT FOR USE WITH THE GENERAL PUBLIC.”

For any “first-point-of-contact” material such as lead cards, prospecting letters and seminar invitations, the identity of the agent as a “licensed insurance agent,” “licensed insurance producer” or “licensed insurance professional” must be clearly and conspicuously disclosed and the stated purpose of the contact needs to include a reference to life insurance and/or annuities. Furthermore, some states actually require specific language describing agent identity and several require identification by insurance license number (e.g., California and Arkansas).

For those advertisements that do refer to an insurer, its specific products or product features, the Model Regulation requires that the issuing company’s full name and home office location is prominently displayed, and the full product name, product type and form number is referenced. Therefore, under Farmers Life Advertising Guidelines, an advertisement that includes any reference to Farmers Life, our products or riders, or any features of such products or riders, must include the information described above and, of course, be submitted for review and approval prior to use.

Without exception, all consumer-facing advertising and “agent use only” recruiting material or sales literature mentioning Farmers Life, or that references any of our products and services, must be approved by the [Farmers Life Advertising Review Team](#) prior to use. This includes products referenced by name, description, rates or features.

No advertising material that is used by Farmers Life agents should contain information that is untrue, misleading or deceptive, nor should any advertisement omit material information where such omission would tend to misrepresent the product or concept advertised. If insurance products or their characteristics are described in an advertisement, they should be clearly identified as insurance products and not be described via alternative references such as “fund,” “account,” “investment” or “plan.”

## B. Professional Designations

Continuing education — both mandatory and elective — benefits you, your clients, the companies with whom you do business and the industry as a whole. Additionally, the pursuit of professional designations furthers your abilities and knowledge. Professional designations enable you to better serve your clients’ needs and demonstrate a level of excellence in your line of work. However, in recent years, the number of designations that are used by individuals and groups engaged in the sale of life insurance and annuity products has increased substantially. As a result, it can be challenging for both consumers and companies to determine the level of education, training or expertise that a given designation appears to represent.

To help guide you in your decision-making process when pursuing professional designations, Farmers Life maintains a list of approved and prohibited designations. It is important to realize that unless a designation is on the approved list, it cannot be used in conjunction with the marketing and sale of Farmers Life products. Note: Designations that appear on the approved list may only be used in a manner that is consistent with ethical business practices and that you do not obscure the fact you are a licensed insurance professional. In reaching our conclusions on whether to approve or prohibit the use of a particular designation, we generally look at a number of factors including, but not limited to:

- Whether the organization issuing the designation appears to be an educational institution or professional society dedicated to fostering professional growth or appears to operate primarily as a marketing association



- Whether or not the designation is representative of a rigorous curriculum or substantial course of study as opposed to a relatively brief seminar or workshop
- To what degree the designation may have the capacity to mislead a consumer into believing that the agent is engaged in a profession other than that of an insurance salesperson
- To what degree the designation may have the capacity to infer expertise or a depth of education that does not really exist
- To what degree regulatory authorities have expressed concern over certain designations – particularly those in the category of “senior specialist” designations

**Ultimately, identifying yourself and your professional background without misrepresenting the fact you are a licensed insurance agent, who earns commissions on the sale of products, is the number one requirement.**

You should also be aware some states have provided specific prohibitions against the use of certain designations. If you do business in any state that has provided a list of prohibited designations, you must comply irrespective of whether Farmers Life or any other carrier allows the designation to be used.

## C. Illustrations

It is our general policy that producers may only use insurance and annuity illustration software approved and issued by Farmers Life. Any use or altering of illustration software or an illustration produced with that software without prior approval is strictly prohibited. If any sales illustration is used to solicit Farmers Life products, the applicant must receive a copy of the illustration at time of solicitation and a copy should be retained in the client file.

Producers may not in conjunction with insurance or annuity illustrations:

- Represent a product as anything other than life insurance or an annuity, as applicable;
- Make any representation regarding the past performance of Farmers Life products other than the representations contained in the illustration, or represent that a product’s past performance is a reliable indicator of future performance;
- Provide an illustration without clearly indicating that the current interest rate illustrations are based on the current rate schedule, are shown for illustration purposes only and are not guaranteed;
- Provide an applicant with an incomplete or altered insurance policy or annuity illustration;
- Display the current interest rate illustration with such prominence as to render the guaranteed interest rate illustration obscure; or
- Illustrate any Farmers Life product not clearly identified by its generic type of insurance or annuity name and Farmers Life product name, if different.

## D. Marketing Concepts

A fixed index annuity (FIA) is a fixed annuity with a feature that allows the credited interest rate to be related to an external benchmark (such as the S&P 500®) over which the insurance company has no control. It is critical that you, the producer, use accurate and specific terms to describe product features when selling Farmers Life fixed index annuities. If you do not, you risk giving the client the impression they are buying a registered/variable product, which Farmers Life FIAs are not.



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 client understands how the product you are recommending works and how it will address his or her needs and financial objectives. You are also required to review all the proposed policy features with the client, including values and benefits, premium structure, expenses, surrender charge period and existing coverage. All our product brochures provide specific, current information.

We strongly recommend you refer to the product brochure and disclosure statement to assist you in describing product features. These documents are worded to describe the way the product works in language that your client will likely understand. While we expect you to customize your sales presentation to fit particular clients, it is essential that you describe product features — including surrender charges, liquidity, limitations and withdrawal options — accurately and clearly using terminology we have provided in our materials. A copy of the product brochure and all other sales materials used in the sale of any annuity must be left with the client.

The brochure and disclosure statement present the product fairly and describe how the interest crediting rate works for all of the index options available. Our disclosure statement details the workings of our product, describing both the features and the contractual obligations. It then requires the client to initial either the product option chosen or next to the surrender charge depending on the product. The Annuity Suitability form asks questions to demonstrate that you have considered issues related to the appropriateness of the product for your client.

View the Suitability section of this document for more information. After both you and the client sign the Annuity Suitability form and the disclosure form, submit one copy to Farmers Life with the rest of the completed paperwork, leaving a copy with the client.

## TELEPHONE SOLICITATION

In response to the Telephone Consumer Protection Act, 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 Farmers Life name as part of your telephone solicitation calls unless you comply with FCC requirements and applicable state laws.

You are required to do the following if you make telephone solicitation calls (including cold calls) using the Farmers Life 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 Farmers Life to confirm that the individual has not been placed on a Farmers Life 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, some states have adopted regulations strengthening their telemarketing laws both around phone call and text message solicitations. You must check the laws and regulations of each state in which you do business to ensure you are in compliance with any state-specific requirements. Information regarding the FCC rules and any applicable state laws is available on the FCC's website at [www.fcc.gov](http://www.fcc.gov).



## EMAIL SOLICITATION

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

- The email message must not have misleading or falsified header information (“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 on the [FTC website](#). You are also responsible for following any applicable state laws regarding email marketing. Farmers Life encourages you to seek legal advice if you engage in any email 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, Twitter, LinkedIn, Instagram, YouTube and TikTok. 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 a life insurance or annuity product would be considered solicitation and must follow our standard advertising pre-approval process.

## SEMINAR SELLING/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 Farmers Life or securing appointments in order to solicit sales of Farmers Life products, you are required to submit all materials associated with the seminar for review before offering the seminar to the public.





## II. Sales & Advice

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### A. New Business

#### TAKING APPLICATIONS

Producers should carefully review the application for completeness. Please keep in mind that the application becomes part of the policy. When taking applications for Farmers Life, the following are some critical points in making sure that your cases are submitted in good order:

- Make every effort to ensure the information provided by the applicant is complete and correctly recorded.
- Explain what constitutes a replacement before asking the applicant if replacement is involved. If replacement is involved, follow the applicable procedures and disclosure requirements before proceeding with the application.
- Ask the applicant to carefully review the application before it is signed.
- Make sure the applicant records the actual date and location where the application is signed.
- Have the applicant initial any changes written on the application. Do not use correction fluid to cover previously recorded information.
- Never permit an applicant to sign a blank or incomplete application or form.
- Always record the name and agent code of the producer who takes the application and witnesses the signatures of the client(s).
- Never alter or amend any documents obtained.
- Promptly submit all applicable documents in full to the Company, including the application and initial premium payment, replacement form, 1035 exchange transmittal, medical records and any other information obtained during field underwriting. Note: Remember that the submission of some documents and information is time-sensitive and you need to be aware of state-specific rules and requirements in that regard.
- Complete any additional state-specific point-of-sale forms that may be required.

#### HANDLING CLIENT FUNDS

Funds collected on behalf of the Company are received in trust and shall be submitted to the Company immediately. All premiums, after the initial premium, are to be submitted directly to the Company by the client. Farmers Life does not allow premiums to be paid from producers' accounts.

Do not commingle client funds with producer funds. Producers are expected to maintain adequate records and procedures to assure proper handling of client funds. Producers may not rebate or advance premiums.

#### POLICY ISSUE

It is vitally important that you familiarize yourself with the New Business requirements for your life insurance and annuity business. At Farmers Life, we want to make the process for issuing your new business as efficient and responsive as possible. As a producer, you are a valuable client for us, and we want you to have all of the information necessary to complete any requirements and forms for the business that you submit. When cases are not submitted in good order, the number of outstanding issue requirements is greater, the chance of errors in the processing of the



case may increase, and unnecessary delays may ensue that can lead to a disappointing customer experience with Farmers Life for both you and the applicant.

The adequacy and timing of some forms and requirements also may be directed by statute or regulation. We realize that, in some instances, the proper and timely completion of required forms seems like a purely administrative or ministerial function, but these requirements do have a purpose and are often the subject of regulatory inquiries and market conduct examinations.

Fortunately, Farmers Life provides tools for you to help. Please utilize these helpful tools to increase the chances that all regulatory and issue requirements are met the first time around.

## **DELIVERY REQUIREMENTS/RECEIPTS**

Farmers Life focuses on a proactive approach to gathering all requirements necessary before the end of the policy delivery period. By applying this approach, Farmers Life is able to mitigate non-compliance in states that require a signed delivery receipt be in our files. Policy delivery is an important part of customer service not only from a compliance perspective but also to solidify the bond of client to producer. It provides the producer with the opportunity to reinforce the reason(s) for the purchase and hopefully prevent any subsequent external replacement of the policy.

The producer can assist in properly executing policy delivery by:

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

Producers will promptly deliver policies to the policy owners, and return to the Company, within the delivery period, either:

- The properly signed policy delivery receipt, any amendments and any other items requested by the Company that require the policy owner's signature at delivery, as well as any premium payment due at delivery; or
- A written statement signed by the proposed policy owner stating that he/she did not accept the policy and desires a refund of any premium paid with the application. The statement may be on the face page of the policy that is returned to the Company.

## **FREE-LOOK PERIOD CANCELLATION**

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

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

Requests to cancel policies that do not fulfill these conditions (such as a verbal request from the policy owner to the producer, or from the producer to the home office) are generally not valid and may not be honored by Farmers Life. Likewise, producers do not have the authority to request cancellations of policies.



Any producer that receives a verbal request from a policy owner asking for the cancellation of a policy should inform the policy owner that the verbal request is insufficient and explain the above conditions that must be fulfilled for a proper and valid cancellation.

## RECORD KEEPING

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

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

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

## B. Non-Resident Sales

Applications for Farmers Life products must be taken and signed in the applicant's state of residence except under limited circumstances. Such cases may be referred to as a "non-resident sale" (sometimes referred to as a "cross-border sale"), which occurs when a client buys a life insurance policy or an annuity contract outside his/her state of primary residence.

The crossing of state lines by a producer or client for the purpose of selling or purchasing insurance or annuity products other than in those limited circumstances set forth below violates the Company's policy and may contravene state insurance law or regulation. Producers found to have engaged in this practice are subject to commission chargebacks and discipline up to and including termination of their contract and appointment with the Company.

Given our increasingly mobile society, Farmers Life recognizes that out-of-state applications for Company products may be acceptable in certain limited circumstances. These are limited to the following circumstances:

- The owner/applicant owns or rents a secondary address in the non-resident state.
- The owner/applicant is employed by or owns a business in the non-resident state.
- The owner/applicant of the policy/contract will be a trust or LLC domiciled in the non-resident state.
- The owner/applicant is different than the insured/annuitant and the sale took place in the resident state of the insured/annuitant.
- The owner/applicant has a prior relationship with the producer and the sale took place in the producer's primary office location.
- The owner/applicant was referred to the producer and the sale took place in the producer's primary office location.

A producer submitting an application for a Company product taken in a state other than the applicant's state of residence must be properly licensed in the other state and submit information on the Non-Resident Sales Information Form to explain the circumstances and basis for purchase of the insurance policy or annuity contract issued in a state other than the applicant's state of residence. It is important that you understand some states prohibit cross border sales to residents of their states in general. From Farmers Life's current interpretation of applicable state regulations



and bulletins, it appears the following states do not permit sales of insurance products to their residents outside their state of residence, regardless of the circumstances of the case or the connection to the non-resident state:

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

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

## C. 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 client 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 policy to purchase another annuity or life 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 client 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 force or for which benefits would be paid
- Reissued with a reduction in cash value
- Used in a financed purchase



If writing business in a state that follows the NAIC Model requirements, 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 Farmers Life'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 replacements. 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 client 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 client:

- 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 client's current and expected liquidity needs
- Whether the client can purchase or obtain a greater benefit for the same or similar premium
- Consideration of the client's current financial circumstances and objectives

Comparisons between a client'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 client, 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 Section 1035 Exchange





- Rider value on existing product may not be available on proposed product
- Length of time the client has been in the existing product
- Whether the new contract provides a significant benefit unavailable on the existing product
- Ability to demonstrate and document the clear benefit to the client 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 clients.

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 Farmers Life 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.

## **MONITORING OF REPLACEMENT ACTIVITY**

Farmers Life recognizes that replacement activity varies by product type. Regardless, Farmers Life 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. Replacing Farmers Life business is prohibited by your producer contract.

Violating this provision is grounds for termination of your contract as well as forfeiting the right to service Farmers Life contract owners.

## **D. Sales to Seniors & Vulnerable Adults**

There are many important matters to consider when dealing with senior clients 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. Farmers Life 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 clients and vulnerable adults should always be alert to issues regarding the competency of the client. 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 client
- The person has a legal guardian, lives in a long-term care facility, and/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, Farmers Life reserves the right to rescind the contract and chargeback any commissions paid.

Many seniors are conservative by nature in financial strategies. Whenever you have doubts, 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 client 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 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 client. It may be beneficial to include these advisors. Additionally, we recommend that you offer to involve a senior client’s family members in your discussions.

## **FINANCIAL EXPLOITATION & ABUSE**

In recent years, a number of states have enacted regulations designed to prevent financial exploitation of seniors and other vulnerable persons. As a sales professional in the financial services industry, you need to be aware of how to recognize financial exploitation and your duty to report it when you detect it in your interactions with clients and prospects.

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

Although the red flags set forth below refer to “seniors,” these indicators also apply to “vulnerable persons.” Vulnerable persons are individuals who are unable to protect themselves from abuse, neglect or exploitation by others because of a physical or mental impairment. Red flags of possible financial exploitation include the following activities, whether by the senior or by an individual acting on behalf of the senior:

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



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

If you suspect or have concerns that financial exploitation may be occurring, please contact Farmers Life Insurance Company immediately.

## E. Practice Management

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### A. Licensing, Appointment and Continuing Education

#### GENERAL REQUIREMENTS

All 50 states, the District of Columbia, and Puerto Rico have laws requiring licensing of persons engaged in the business of selling insurance or annuities. In addition, most states require that even after a business or individual has obtained a producer's license, the producer may not represent an insurance company unless the producer is specifically designated, or "appointed," by the insurance company to sell its products. Accordingly, every producer representing the Company and its products must be properly licensed and appointed by the Company in accordance with applicable state laws and Company procedures. When there is doubt concerning licensing and appointment requirements, producers are encouraged to call [Farmers Life Licensing, Contracting and Commissions](#) or a responsible person in the producer's up-line hierarchy for guidance.

Producers are responsible for obtaining and maintaining licenses in every state, Puerto Rico or the District of Columbia in which they are selling insurance or annuity products for Farmers Life. This includes completing the continuing education required by the department(s) of insurance in the relevant jurisdictions(s) and notification of any relevant changes in licensing status.



Producers are permitted by the Company to offer and sell products to themselves or family members in the same manner as they would offer and sell products to the general public, provided the producer satisfies all applicable laws and regulations including “controlled business” requirements in any given state that may restrict the amount or percentage of such business that can be sold to the producer, family members and/or other affiliated persons.

## RESIDENT AND NON-RESIDENT PRODUCER LICENSES

Producers must be licensed in each state or jurisdiction where they do business. To be legally entitled to conduct insurance business in the producer’s state of residence, the producer must apply for and obtain a license in that state. In addition, many states require that any non-resident maintain a license in their state of residence, even if the producer does not engage in any sales activity in the state of residence.

Producers must also observe the licensing requirements of any other jurisdiction in which they do business. It frequently happens that a producer residing near the border of one or more other jurisdictions sells insurance products in both the producer’s state of residence and the adjoining states. It is generally understood that a producer will be subject to licensing in all states where he or she solicits or negotiates insurance sales, delivers contracts, collects premiums, or has an office for the conduct of an insurance business. Where there is a doubt concerning the necessity of obtaining a non-resident license, producers are urged to contact the relevant insurance regulator for that jurisdiction, or call [Farmers Life Licensing, Contracting and Commissions](#) or a responsible person in the producer’s up-line hierarchy.

## PRODUCER APPOINTMENT WITH THE COMPANY

Producers must also be appointed with the Company to solicit business or take applications for the Company’s products in accordance with applicable state laws. State laws may differ on the precise timing of appointments and actions that producers are permitted to take prior to filing of appointments with the applicable state insurance department. Accordingly, producers are encouraged to contact [Farmers Life Licensing, Contracting and Commissions](#) with any questions.

As part of the appointment process, the Company performs criminal, civil, and professional background checks on all producers. One of the reasons for performing a criminal background check is to satisfy the Company’s obligations under the Federal Violent Crime Control Act (“FVCCA”). The FVCCA makes it a felony for a company engaged in the business of insurance to willfully permit the participation of a person who has previously been convicted of a felony crime involving dishonesty or a breach of trust.

Producers should note that the FVCCA contains no “grandfather” provision for persons already working in the business of insurance. The FVCCA effectively makes it a crime for any insurance company or its subcontractors to continue to do business with an individual after the company or subcontractor learns of a conviction. Thus, the Company reserves the right to terminate any producer or other person involved in the marketing or sale of Company products in order to comply with the FVCCA. In addition, the Company reserves the right to terminate or decline a producer’s appointment for any other criminal record or history beyond that covered under the FVCCA.

The Company in its sole discretion retains the right to appoint or decline any producer application for appointment to represent and sell Company products.

## CONTINUING EDUCATION

Farmers Life recognizes the importance of each agent’s commitment to adequate education and training as a key ingredient in achieving and sustaining your success as an insurance professional. It is your own personal responsibility to ensure that you comply with all continuing education requirements for each state in which you maintain an insurance license.



In recent years, in addition to basic continuing education requirements, some states have enacted additional requirements for agents including mandatory training on certain categories of insurance products or on various market conduct subjects such as suitability and best interest standards. As new requirements evolve, we will continue to notify our producers of their specific duties for the completion of such training.

We also strongly encourage our field representatives to seek professional education and training opportunities offered through traditional financial services educational institutions such as The American College, the College for Financial Planning® and the Life Underwriting Training Council. The completion of the robust curriculum and attainment of professional designations offered through such institutions can enhance your professionalism and enable you to add further value to your clients.

## **B. Conflicts of Interest**

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

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

There are a number of very practical reasons, beyond the inherent conflict of interest, why producers should not engage in any of the acts described above. First, especially in reference to serving as a trustee or holding a POA, you are greatly increasing your liability for any damage or detriment incurred by the client as a result of your acts or failure to act. Your duty of care has been heightened to that of a fiduciary.

Second, most insurance agents' professional liability (errors and omissions) policies specifically exclude from coverage any acts, errors, or omissions related to the agent acting in the role of a fiduciary.

Third, applicable state laws may control the circumstances under which a licensed insurance agent or other financial services professional may act as an "Attorney-in-fact" (holder of the POA) on behalf of an unrelated person and/or may expressly eliminate the ability of any Attorney-in-fact to transfer ownership of a policy to him/herself or designate him/herself as the beneficiary of the policy.

Fourth, if an insurance agent is designated as the owner or beneficiary of a policy, without a demonstrable insurable interest at the time the policy is issued, it is a clear violation of state law.

In addition, some states have passed or considered legislation prohibiting transfers of ownership, for a period of time subsequent to the policy issue date, if the new owner also has no insurable interest in the insured.





It's important to recognize that even transactions involving close or immediate family members must be carefully considered. For example, if a producer sells a policy to a parent and advises the parent to designate the agent as the sole beneficiary of the policy, to the exclusion of his/her siblings, the result could be family disharmony and/or legal action on the part of the siblings. So even where insurable interest is clear, the appropriateness of an owner/beneficiary arrangement may be questionable. Likewise, if a producer becomes the trustee of an irrevocable life insurance trust insuring the life of a parent, changing family dynamics could increase the likelihood of allegations of breach of fiduciary duty or even self-dealing.

Other conflict of interest issues can arise within the context of a producer-client relationship. While strong client relationships and persistent business are generally encouraged, the following transactions between Farmers Life producers and Farmers Life customers are prohibited:

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

Engaging in any such activities does not only result in possible termination of your Farmers Life producer contract, but could be a violation of state law which would subject you to any applicable statutory fines or penalties and possibly result in revocation or suspension of your insurance license.

### C. Anti-Money Laundering

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 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 by criminals and terrorists. As part of the USA PATRIOT Act, financial institutions, including insurance companies, are required to establish and maintain AML procedures to comply with minimum standards for customer identification as developed by the U.S. Department of the Treasury. Farmers Life has taken appropriate steps to adhere to the compliance requirements under the Act and has established a formal anti-money laundering program. As a person who deals directly with customers and is often in a critical position to obtain information regarding the customer's source of funds and reasons for purchasing an insurance product, you play an important role in the program.

To sell Farmer Life's insurance products, the Company's anti-money laundering program requires you to ensure that all information disclosed on the application is correct and that associated documents are accurate and complete. Record of this information must be retained as long as the contract is in force and for five years thereafter. If a client resists providing information, please contact the [Farmers Life Sales Support](#) 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 with the Financial Crimes Enforcement Network (“FinCen”), a bureau of the U.S. Department of Treasury. “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

“Willful Blindness” is a violation of the USA Patriot Act, meaning it is illegal for you to “look the other way” if you know of, or reasonably should have known of red flags indicating suspicious activity. As a producer for Farmers Life, you have a legal duty to “know your client,” detect suspicious activity and report it to the Company.

Verification of identification is a section under the USA PATRIOT Act that requires producers and insurance companies to “Know Your Customer.” 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

- Cashier’s checks from a U.S. bank from the remitter’s account when the remitter on the cashier’s check is the owner.
- Third party checks that originate from an insurance company, U.S. financial institution or pension plan, and are endorsed over to “Farmers Life Insurance Company.”
- Personal checks must be from a U.S. bank with the name and address of the Applicant/Owner imprinted on the front of the check (except as specified above).
- Rollover checks and transfer checks (including those connected to a 1035 exchange) received from a U.S. insurance company or U.S. financial institution.
- Wire transfers (except as specified above) and where the originator is the policy owner and the transfer is drawn from a from a U.S. bank account.



## NOT ACCEPTABLE

- Cash (currency) in any amount
- Checks made payable to cash
- Money orders
- Traveler's checks
- Checks or wire transfers originating from a foreign bank
- Producer or agency check or wire transfer where the producer is the originator (except when the producer is the owner)
- Personal checks or cashier's checks not made payable to Farmers Life Insurance Company
- Checks drawn on the account of someone (an unrelated party) other than the Applicant/Owner
- Starter or temporary checks without the preprinted name of the Applicant/Owner
- Credit card payments

If a client provides a form of payment that is not acceptable, it must be returned to the client immediately with instructions on acceptable payment types.

The Company requires all producers to complete periodic Anti-Money Laundering training. 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 antimoney 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 [Farmers Life Sales Support](#) team. Questions regarding AML training requirements may be directed to [Farmers Life Licensing, Contracting, and Commissions](#).

To report suspicious activity, or if you have questions regarding the Company's AML policy, please email Farmers Life Sales Support at [support@farmerslifeins.com](mailto:support@farmerslifeins.com).



## D. Fraudulent Insurance Activity

State laws broadly define certain acts and practices as fraudulent. Under these laws, producers may not, either individually or in concert with customers or other persons, engage in fraudulent acts.

Fraudulent acts include the following without limitation:

- Knowingly fail to return any monies or premiums paid for an insurance policy or annuity contract to the applicant or policyholder, the designee of the insured, or other persons entitled to the monies or premiums if the policy or contract applied for is not ultimately provided;
- Present to an insurer, or cause to be presented to an insurer, documentation or a written or oral statement that is made in support of a claim with knowledge that the documentation or statement contains false or misleading information concerning a matter material to the claim;
- Except for prepayment of periodic payments or excess contributions permitted under the terms of the policy, willfully collect excess premium beyond amounts approved or, in cases not subject to approval, beyond charges specified in the policy and fixed by an insurer;
- Misappropriate or unreasonably withhold funds received or held where the funds represent premiums or returned premiums;
- Misappropriate benefits under an insurance policy or annuity contract;
- Act as or hold oneself out to be an insurance producer if the person has not complied with the applicable licensing and appointment laws of the applicable state;
- Knowingly or willfully make any false or fraudulent statement in or with reference to any application for an insurance policy or annuity contract;
- Place any insurance or annuity product with an unauthorized insurer not regulated by the state insurance department and/or refuse to obey an order by the state insurance commissioner to produce for examination any insurance policy or annuity contract or any other document evidencing coverage and the amount of premiums paid or agreed to be paid for the insurance policy or annuity contract;
- With intent to deceive, knowingly exhibit a false account, document or advertisement, relative to the affairs of an insurer;
- Solicit or take application for, procure, or place for others any insurance policy or annuity contract for which the producer has not received a license or certificate of qualification;
- Knowingly violate the licensing and appointment requirements of the state in which the proposed insurance or annuity transaction will take place; or
- Intentionally fail to report to an insurer the exact amount of consideration charged as premium for an insurance policy or annuity contract, if different from the policy or contract premium, and/or fail to maintain records reflecting that information.

Commission of any fraudulent insurance act constitutes grounds for immediate termination for cause by the Company. Such acts also subject the producer to other potential sanctions including disciplinary action by state insurance departments, criminal prosecution and civil liability.



## E. Confidentiality of Client Information

Protecting the privacy of our customers' information is an important aspect of providing good customer service and earning the trust of our policyholders. We are required by law to protect our customers' non-public information and implement internal controls to ensure the confidentiality and security of that information. Congress addressed consumer privacy as part of the Financial Services Reform Act of 1999 (Gramm-Leach-Bliley Act, or GLBA). Title 5 of GLBA lays out responsibilities under federal law with respect to the private information that is gathered and used in the selling and servicing of financial services products, including life insurance and annuities. Nearly a decade ago, the National Association of Insurance Commissioners (NAIC) adopted the Standards for Safeguarding Customer Information Model Regulation which has largely been enacted in every state. This regulation describes the privacy requirements and mandatory controls that are applicable to the insurance business. "Non-Public Personal Information" refers generally to information collected which is not available to the general public. Concerning Farmers Life's customers, information of this nature would include, but is not limited to:

- Policy values
- Policy numbers
- Social security number
- Type of policy purchased
- Financial and medical information
- Beneficiary information

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

- Producers are obligated to protect non-public personal information of Farmers Life's customers consistent with Farmers Life Insurance Company's Privacy Policy and in accordance with the terms of their Independent Producer Contract with Farmers Life.
- Producers are required to protect customers' information and implement internal controls to ensure the confidentiality and security of customer information is not breached.
- Documents, desktop computers, laptops and additional resources used to store non-public personal information should be kept secure at all times.
- Producers should consult a legal advisor to determine if the agent has additional obligations with respect to his/her business and relationships outside of his/her relationship with Farmers Life.
- Any security breach of Farmers Life's customer information should be reported to us immediately.

The Farmers Life Privacy Policy provides an explanation of our responsibilities to protect our customers' privacy. The foundation for the Guide is the NAIC Model Regulation on Privacy of Consumer Financial and Health Information which was adopted to assist states in meeting the requirements outlined within GLBA. As with most Model Regulations, some states have adopted the Model with little variation while others have established their own unique laws and regulations.





As a producer with Farmers Life, you must adhere to the Company's Privacy Policy and related policies and procedures. In most cases, where your activities are limited to obtaining customer information in conjunction with our application and/or forms, and you are functioning as an authorized representative of Farmers Life, you are covered by our Privacy Policy and likely do not need to have your own privacy policy. However, if you use the information you gather either prior to or after the policy is issued, for other marketing purposes, our Privacy Policy likely does not cover you. It is important for all Farmers Life producers to understand that to the extent you act as an independent provider of insurance products and other financial services or advice, you may have to comply with privacy regulations aimed at your own business — in addition to complying with privacy requirements and guidelines of the companies you represent.

## IV. Suitability

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### GENERAL REQUIREMENTS

Farmers Life expects producers to treat consumers fairly and honestly. Producers are expected to recommend and sell the Company's products based upon consumer needs and financial objectives.

As used herein, consumers (who may also be referred to herein as customers or clients) include prospects, applicants, and policyholders who consider or purchase any Company product including life insurance or annuity policies. The terms "policy" and "policyholder" may be used in this Market Conduct & Compliance Guide to reference both life insurance and annuities and consumers who purchase them.

To identify a consumer's needs and objectives in connection with sale of our products, we require producers to assess insurance, financial and personal information obtained from the consumer at the time of sale. When a producer makes a recommendation for one or more of the Company's products, our expectation is that the producer has made a reasonable effort to gather information necessary to make an appropriate recommendation to the consumer, and there is a reasonable basis to believe the recommended product is appropriate for the consumer based on such information and suitable to the extent required by state insurance law.

The Company has developed an annuity suitability compliance program designed specifically to assist producers in gathering relevant information from consumers and making recommendations of annuity products that comply with the National Association of Insurance Commissioners (NAIC) Suitability in Annuity Transactions model regulation. Producers must abide by the NAIC model regulation and any other suitability rules and regulations which may apply to sale of our products as each may be amended from time to time. The remainder of this section describes our annuity suitability compliance program in greater detail.

### ANNUITY SUITABILITY COMPLIANCE PROGRAM

The Company requires that all producer recommendations for the purchase or replacement of annuity products have a reasonable basis as to suitability for the consumer based on information disclosed by the consumer at the time of recommendation. The Company also requires producer recommendations reflect the care, skill and diligence that would be exercised by a reasonable insurance agent selling annuity products under similar circumstances. Additionally, the Company requires producers to make reasonably diligent efforts to present each consumer with the information necessary to make well-informed decisions relating to the purchase, exchange or replacement of any annuity product.



At a minimum, producers and their clients should be able to answer “yes” to each of the questions below prior to completion of any annuity purchase, exchange, or replacement:

- Does the client understand the key features of the product?
- Does the client understand the purpose of the annuity?
- Does the client have adequate remaining funds in case of an emergency? Has the client reasonably taken into account any likely or foreseeable significant adverse changes in income, expenses, or liabilities during the annuity surrender period that might affect the client’s decision to purchase an annuity?
- If the client is replacing or exchanging another product with this annuity, does the client understand the pros and cons of the exchange, i.e., tax penalties, surrender charges, new surrender periods, loss of existing benefits? Will the client benefit from the new annuity’s features and enhancements such as any riders selected? Has the client had another policy replacement within the preceding 36 months (60 months in specified states)? Is the complete transaction (including surrender and purchase) suitable?

To help ensure compliance with our Annuity Suitability Compliance Program, Farmers Life has created its Suitability Triggers worksheet. It summarizes potential procedural missteps a producer could make when writing new business and the Company’s standard response in processing business as a result. This worksheet is available in the [Farmers Life Producer Portal](#).

## SUITABILITY REVIEWS

Farmers Life has established home office procedures for reviewing the suitability of annuity sales transactions. The process involves a review of information submitted with every application, including a review of the Company’s Suitability Analysis Form. The Suitability Analysis Form will be reviewed to determine whether the suitability information provided in connection with the transaction:

- Appears to reflect a reasonable basis as to suitability and should be allowed to proceed to issue;
- Appears to lack a reasonable basis as to suitability and should be declined; or
- Requires further review of certain factors and should be held until the Company completes its review.

In situations where additional review is required, the Company will conduct an elevated review of the suitability information, which may include:

- Contacting producers by telephone with additional questions;
- Conducting telephone interviews with applicants; and/or
- Requesting written responses and/or documentation from producers to support purchase, replacement, or exchange recommendations.

The Company will decline transactions determined via the suitability review process to lack a reasonable basis as to suitability. The Company reserves the right to offer customers the right to free look an issued annuity at any time and may charge back any commissions paid on that transaction.



## PRODUCER RESPONSIBILITIES

Producers must have reasonable grounds for believing that the recommendation of the purchase, replacement or exchange of an annuity is suitable based on the insurance needs and financial objectives disclosed by the consumer. It is the producer's responsibility to recommend the purchase, exchange or replacement of an annuity only after carefully evaluating the unique financial circumstances, objectives and needs of the consumer and determining an annuity is suitable.

Prior to the recommendation to purchase, exchange or replace an annuity, producers must also ensure the following:

- The consumer has been reasonably informed of the material features of the annuity,
- The consumer will benefit from purchasing the annuity, and
- The annuity as a whole is suitable for the consumer.

When a recommendation involves a replacement or exchange, producers are also required to consider the following:

- Will the consumer incur surrender charges, negative market value adjustments or other charges like premium bonus vesting adjustments?
- Will the consumer benefit from product enhancements (such as riders)?
- Has the consumer had another annuity exchanged or replaced within the preceding 36 months (60 months in specified states)?

## SUITABILITY ANALYSIS FORM

The Suitability Analysis Form is an essential part of the Company's suitability program and is required with every new annuity application. The Suitability Analysis Form is designed to help producers assess the consumer's financial situation and determine whether an annuity is suitable by asking many of the questions to be considered prior to making an annuity recommendation including but not limited to:

- What are the consumer's net worth and liquid assets?
- How much of the consumer's liquid assets will remain after the purchase of the annuity? Will the consumer's income after the purchase of the annuity sufficiently cover his or her living expenses?
- What is the consumer's monthly disposable household income?
- What is the source of the funds being used to purchase the annuity?
- What is the consumer's purpose for purchasing the annuity, i.e., what financial goals will this annuity help the consumer achieve?
- Does the long-term nature of an annuity product fit the consumer's time horizon? How long does the consumer intend to keep the annuity?
- What is the consumer's investment experience? What other products does the consumer currently own or has owned in the past?
- What is the consumer's federal tax bracket?
- How much risk is the consumer willing and able to sustain in exchange for potentially greater gain?



## **SPECIFIC TRAINING AND CONTINUING EDUCATION**

Producers are responsible for being knowledgeable of all material features of Company products prior to soliciting sales of such products on behalf of the Company. Producers shall satisfy product-specific training requirements established by the Company and certify they have completed such training prior to solicitation. Producers shall also be responsible for complying with continuing education requirements established by individual states pertaining to the sale of annuity products including suitability and related compliance matters. The Company reserves the right to withhold or deny commission payments to producers for failure to comply with product-specific training, continuing education requirements, or other Company or regulatory certifications or requirements.





## FARMERS LIFE INSURANCE COMPANY

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Farmers Life Insurance Company is a licensed life insurance company. Policies issued by Farmers Life Insurance Company (NAIC #60230), 243 North Peters Rd. Knoxville, TN 37923 ("Farmers Life") and guarantees are backed by the financial strength and claims paying ability of Farmers Life. Neither Farmers Life nor any of its agents or representatives, provide any legal, tax, or financial planning advice. For legal, tax, or financial planning advice concerning your specific situation, please consult an attorney, tax professional, or certified financial planner.