

# Business Guidelines

The right things to do...and the right way to do them!

## To our valued agents...

As a representative of EquiTrust Life Insurance Company® (EquiTrust) it is important that you understand the EquiTrust guidelines on market conduct. This guide is designed to give you an overview of those guidelines. Agents, and the companies they represent, are held by the public to a very high standard.

Please read this guide in its entirety. **By accepting appointment with EquiTrust, you are agreeing to be bound by the provisions of the guidelines which have been adopted by EquiTrust.** If you should have any questions about any of the material included in this guide, please feel free to call the Compliance Department at 877-249-3694, Option 4.

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**IMPORTANT:**

**These guidelines contain important information on policies and programs that affect how you do business with EquiTrust. Please review all content carefully and completely.**

## 1. Our Marketing Philosophy...

EquiTrust values its relationships with agents and clients. We believe the financial strength, reputation, culture, and tradition of EquiTrust will attract a high-quality sales force that will develop long-term relationships of trust with our Company associates. Furthermore, we are committed to developing strong relationships of trust with our customers for whom we expect all transactions to be conducted honestly and ethically.

Therefore, all field associates must demonstrate the highest standards of financial responsibility and integrity in all dealings with EquiTrust and clients. All agents are expected to exemplify the highest standards of ethical and professional conduct and maintain a record free from compliance and market conduct issues.

In accordance with these guidelines and consistent with your contractual obligation (please refer to your Agent Contract) to do business in conformity with the rules and regulations of EquiTrust, the following standards have been set:

- All agents must comply with the rules, procedures, and policies of EquiTrust, written or otherwise.
- Any action or conduct that constitutes fraud, or suspected fraud, or violates any applicable laws or regulations also constitutes a violation of the rules of EquiTrust.
- EquiTrust does not permit any misrepresentation or modification of any of the benefits, rates, or conditions of policies or contracts of the Company in any respect.
- EquiTrust does not permit any withholding, misappropriation, conversion or co-mingling of funds.
- Use of the EquiTrust name or product specifics in any advertisement requires pre-approval by EquiTrust.
- Use of the EquiTrust name or logo is prohibited on business cards, signage, websites, social media sites, voice mail or other means of identification.
- To maintain the high standards of EquiTrust, you are required to notify an Officer of EquiTrust if you become aware of conduct by other agents or representatives of EquiTrust that violates any Company policy.

Any behavior deemed unacceptable by EquiTrust may result in contract termination. EquiTrust is committed to aggressive investigation of any conduct that violates its policies. Proper market conduct is an important component in our continued successful operation. Violation of these standards will deter us in these objectives and could also result in personal liability and loss of license.

## 2. Important Contact Information

- **Home Office Address:**  
EquiTrust Life Insurance Company®  
7100 Westown Pkwy Suite 200  
West Des Moines, Iowa 50266-2521
- **Advertising Review** (866-598-3694)  
Provides consultation, review, and approval service for advertising specific to state and distribution. Advertisements may be faxed to 515-226-5104 for review.
- **Agent Website** <https://agents.equitrust.com>  
Provides access to state approvals, sales materials, company forms, and best practices
- **Compliance** (1-877-249-3694, Option 4)  
Complaint handling, suspected fraud, general questions about compliance and market conduct.
- **Licensing** (877-249-3694, Option 5)
- **New Business and Customer Service** (866-598-3692)  
Provides information on pending policies and customer service requests.
- **Sales Support**  
Annuity (866-598-3694)  
Life (800-811-9733)  
Provides one-on-one consultation on product information.

### 3. General Rules of Compliance

- Do know and comply EquiTrust directives and policies, written or unwritten.
- Do educate yourself as an insurance professional about market conduct rules and regulations. Keep complete continuing education records.
- Do maintain high standards of integrity, professionalism, and excellence in business transactions.
- Do engage in active and fair competition.
- Do maintain a high level of professional competence by continually improving knowledge and skills.
- Do confirm and adhere to your state's guidelines regarding approved / appropriate designations.
- Do NOT represent EquiTrust in any manner before a state insurance department or any other governmental agency.
- Do maintain complete client files (See Office File Checklist).
- Do keep all client information confidential unless authorized by the client to release.
- Do document and immediately report consumer complaints to EquiTrust.
- Do NOT act as notary for EquiTrust clients or on EquiTrust documents. A notary cannot be an agent appointed with EquiTrust.
- Do NOT maintain a joint bank account with a client unless it is a member of your immediate family.

#### A. New Business

- Do sell business only in states where you and EquiTrust are properly licensed and appointed. State approvals are listed on the Agent Website.
- Do use the sales process to determine if a contract or product meets the client's financial objectives and is in the client's long-term best interest. Document this determination in your contract holder's file. Additionally, completed needs analysis forms are required for all annuity sales. Be sure to use only current forms which can be found on the Agent Website.
- Do fully explain the surrender charges and that the renewal rates are set at the discretion of EquiTrust but will not be lower than the guaranteed rate.
- Do NOT make a sale to someone who is in a hospital, nursing home or similar facility or about to enter such a facility. This includes an assisted living facility where the resident requires care to meet certain daily living needs.
- Do NOT make a sale to an active duty military member on a military base.
- Do NOT take an application for an EquiTrust product if you are replacing an annuity product with an effective date of less than three years.
- Do NOT place all of a Trust's liquid assets into an EquiTrust annuity.
- Do NOT take an application for an EquiTrust annuity product if your client has a reverse mortgage.
- Do NOT use EquiTrust products for the purpose of planning or qualifying for Medicaid or Veterans Administration benefits.
- Do NOT accept cash, money orders (unless issued by a bank), credit card checks, or traveler's checks.
- Do request that customers make checks payable only to EquiTrust Life Insurance Company. Accompany all cashier's checks with a receipt signed by the applicant. The total amount of the premium should always be remitted to EquiTrust.
- Do NOT endorse, deposit, cash, or otherwise negotiate any check drawn to EquiTrust.
- Do NOT use personal funds to pay customer's premiums.
- Do NOT give rebates. Don't pay anything of value, directly or indirectly, to applicants, clients, contract/policy holders, agents, or any other party to induce an individual or any legal entity to purchase a new contract/policy or maintain an existing contract/policy or replace, withdraw funds, surrender, or in any other manner change an existing contract or policy.
- Do NOT make a gift of value on the condition of purchasing insurance.
- Do NOT lend money to or borrow money from, any client unless the client is a properly licensed financial institution.
- Do promptly deliver policies & contracts. Life insurance policies must be delivered in person.

- Do NOT accept risks of any kind or make, modify, or discharge policies / contracts. Don't extend the time for paying the premium or waive any of the Company's rights or requirements. Don't agree to accept extra premium for extra risks.
- Do NOT have a contract holder, annuitant, applicant, insured, beneficiary, or another person sign a blank document.
- Do NOT take on any conflicting roles with respect to your customers such as acting as a trustee, executor, guardian, conservator or attorney-in-fact under a power of attorney. This prohibition includes employees of your agency or family members taking on any conflicting roles with respect to your customers. Nor should you allow yourself, members of your family or businesses/charities that you have ownership interest in to be named as a beneficiary on a customer's life or annuity policy. The exception to this prohibition is where the client is a member of your immediate family. (i.e. spouse, children, parents, siblings).

In Florida, state law provides that the agent's family members must not be designated as beneficiaries (unless there is an insurable interest in the life of the insured) or perform any tasks outlined in this section unless such family member is related to the owner or insured or is a bank or trust company duly authorized to act as a fiduciary.

## B. New Business – Applications

- Do NOT use white out or highlight information on any insurance application.
- Do verify that all information on the application is correct. Applications should never be backdated or provide false or misleading information. Have the applicant initial any changes or corrections to the application prior to submitting the application to EquiTrust.
- Do NOT sign applications from presentations made by other agents. The agent who signs the application should be the agent who made the sales presentation.
- Do take applications in person.
- Do NOT take an application through the mail.
- Do NOT sign documents on behalf of an insured, annuitant, applicant, beneficiary, or other person.
- Do sign as a witness only if you were a part of the sales process. You do not need to sign the application in order to receive a commission. In order to receive a commission for an application you were not involved in soliciting, the writing agent just needs to submit a written request.

## 4. ERISA Prohibited Transaction Warning

If you sell annuities to an employee benefit plan, you will need to know about "prohibited transactions" under ERISA, the Employee Retirement Income Security Act of 1974. ERISA regulates employee pension benefit plans and employee welfare benefit plans such as medical and disability benefit plans, vacation and sick leave plans, and certain non-qualified deferred compensation arrangements. Pension benefit plans may be funded through life insurance or annuities. Welfare benefit plans are commonly funded by group insurance policies and contracts.

Some key words with respect to ERISA prohibited transactions are "fiduciary" and "party in interest". A "fiduciary" includes anyone who exercises discretionary authority over a plan's management or administration, or exercises any authority or control over the management of its assets, or renders investment advice for a fee or compensation, either direct or indirect, with respect to the plan's moneys or other property. A "party in interest" includes, among other persons, a fiduciary, a person providing services to the plan, an employer whose employees are covered by the plan, and other persons related to the foregoing through blood, stock ownership, or partnership.

Depending upon the services you provide to an employee benefit plan, you may be a fiduciary or a party in interest. ERISA imposes many obligations on a fiduciary, including a duty of prudence in the investment of plan assets. "Prohibited transactions" with respect to a fiduciary include a fiduciary dealing with plan assets in his own interest, acting in a transaction with the plan on behalf of a party whose interests are adverse to those of the plan, and receiving consideration from any party dealing with the plan in connection with plan assets. For a "party in interest" who is not a fiduciary, "prohibited transactions" include a sale of property to the plan, furnishing of services (including as an insurance consultant) to the plan, and the transfer of plan assets to or for the benefit of the party in interest.

A party in interest who engages in a prohibited transaction is subject to severe civil penalties, excise taxes, and possible criminal prosecution. However, an exemption may be available under Prohibited Transaction Exemption 77-9, as amended by PTE 84-24. **This exemption is not automatic. It requires compliance with some tough conditions, as set forth in Sections IV and V of the Exemption. Compliance must be documented and the documentation retained for six years after the transaction.**

The Company urges you to consult competent ERISA counsel in any case where you are selling to an ERISA plan with which you have any connection other than that of an outside insurance agent. The same goes where you have any doubts as to the appropriateness of the purchase of your product by the plan. **Remember, ERISA compliance is your responsibility.**

## 5. Federal and State Do Not Call Rules

- Observe the Federal Do Not Call protocols and any state regulations.
- Observe any Company 'do not call' restrictions or lists.
- Cold calls are generally prohibited; explicit authorization to call must be obtained.
- Referrals must be based on explicit disclosure, "no door prize or lottery schemes".

If you call a prospective client, and they request that you place them on your Do Not Call List, you must maintain a list and ensure that the prospect is never called by you or anyone in your office.

If you call a prospective client and they request that you place them on the EquiTrust Do Not Call List, you must contact EquiTrust to report the name and phone number to be placed on the EquiTrust Do Not Call List.

## 6. CAN-SPAM Act

The CAN-SPAM Act establishes requirements for commercial email, gives recipients the right to opt-out of commercial email, and spells out tough penalties for violations. Commercial email is defined as any electronic mail message, the primary purpose of which is the commercial advertisement or promotion of a commercial product or service. This includes email that promotes content on commercial websites and makes no exception for business-to-business email. All commercial email must comply with the CAN-SPAM law, as well as applicable state laws. Each separate email that violates the CAN-SPAM Act is subject to penalties of up several thousand dollars. Here are the main requirements for following this law:

1. **Don't use false or misleading header information.** All routing information (from, to and reply-to) must include the originating domain name and email address. Further, it must be accurate and state the sender (person or business) who initiated the message.
2. **Don't use deceptive subject lines.** Accurately reflect the content of the message!
3. **Identify the message as an advertisement.** You must clearly and conspicuously disclose that your message is an advertisement.
4. **Provide your location.** Include your valid physical postal address, which can be a current street address, post office box registered with the U.S. Postal Service or private mailbox as long as it is registered with a commercial mail receiving agency established under Postal Service regulations.
5. **Provide opt out information.** You must include a clear and conspicuous explanation of how the recipient can opt out of getting email from you in the future. The recipient cannot be required to take any step other than sending a reply email or visiting a single page on a website as a condition for opting-out.
6. **Promptly honor opt-out requests.** Any opt-out must be honored within 10 business days and you cannot charge a fee or require the recipient to give you any personal information beyond their email address. Also, you cannot sell or transfer these email addresses, even in the form of a mailing list unless it is to simply transfer information to a company hired to help you comply with the CAN-SPAM Act.
7. **Monitor what others are doing on your behalf.** The law clearly states that you are equally responsible for ensuring compliance by any company or person hired by you to handle your email marketing.
8. **Don't send mass-emails.** Agent may not distribute information about products or EquiTrust Life Insurance Company through mass-email advertising campaigns.

## 7. Privacy Policy

EquiTrust takes client privacy very seriously. We share a commitment to protect the privacy and confidentiality of personal and financial information. The three basic points of our Privacy Policy are as follows:

1. We collect only the customer information necessary to consistently deliver responsive products and services.
2. We maintain safeguards to ensure information security.
3. We limit how, and with whom, we share customer information.

You may only collect, store, use, disclose, and destroy customer information by lawful and fair means that are for specified and appropriate purposes in connection with the legitimate business interests of EquiTrust and in compliance with the Privacy Policy. You also agree to implement reasonable safeguards to protect the confidentiality of this information.

A full version of the EquiTrust Privacy Policy is mailed annually to clients and is included with all new contracts and policies for you to deliver. By accepting appointment with our Company, you agree to be bound by the terms of our Privacy Policy.

## 8. Breach of Security

Like any industry, our industry faces a threat of loss of assets through criminal activity and through human error. One of our industry's assets subject to this threat is the information we possess. This would include information about our clients and other consumers. This threat is further compounded by the potential for regulatory violations in situations where consumer information is accessed, used, disclosed, lost or stolen. Privacy and security regulations require us to take reasonable precautions to safeguard customer information from unauthorized access, use and disclosure.

In 2010, the Commonwealth of Massachusetts implemented additional security requirements. Subsequently EquiTrust requires agent certification of compliance. Please contact Compliance or Agent Administration with any questions.

If you have a reasonable belief that EquiTrust consumer information has been inappropriately accessed, used, disclosed, lost or stolen, we ask that you immediately notify EquiTrust so that we may assist you in informing the clients accordingly.

## 9. Violations of Federal Crime Act

Section 18 USC 1033(e)(i)(a) of the Federal Crime Act makes it a felony crime for a person to engage or participate in the business of insurance if that person has ever been convicted of a state or federal felony involving dishonesty or a breach of trust or a crime under 18 USC 1033.

The statute makes it illegal for an insurer, reinsurer, its officers, directors, employees, agents and brokers (or others) to willfully employ a person who has been convicted of a felony crime involving dishonesty or a breach of trust.

Any person appointed by EquiTrust to sell its products has an affirmative duty to report possible violations of the Act to EquiTrust.

## 10. Agent Appointment

### A. Selection Criteria

- Proof of Errors & Omissions Coverage in place (E & O)
- Clear Vector One "Vector" report – No reported outstanding debt owed to other insurance companies
- No Felonies reported on background check – either past or current.

### B. Staff Approval of Candidate

- All of the Selection Criteria met (if appointment is made specific to application questions and information provided is later found to be false, termination will occur)
- Appropriate state licensing
- No bankruptcies or collection items
- No public criminal records
- No current or historical delinquencies

Conditions falling outside the listed selection criteria may require additional disclosure and/or written explanation for appointment consideration. Agents having written complaints within the last six months that do not have conclusive results of the outcome of the complaint will be required to wait six months before we will consider their application for appointment.

### **C. Continuing Education**

States require continuing education to keep your insurance license. Your appointment with EquiTrust is dependent upon you meeting state continuing education requirements.

Continuing education requirements differ from state to state. To get the most recent information regarding the requirements in your state, we urge you to visit your state's website or call the State Insurance Department.

### **D. State Specific Continuing Education Requirements**

Please note that insurers are required to verify training requirements have been met in accordance with the applicable state law, which could result in the return of new business applications. Please be sure to consult with your state to ensure you have completed the approved courses and are up-to-date with your state's requirements. In the event that your state does not provide online confirmation for insurers, EquiTrust will require a copy of your course completion certificate. Please refer to the Buzz, FAQ and Best Practices sections of the Agent Website for additional details.

## **11. ADVERTISING**

### **What is Advertising?**

Material designed to create public interest in insurance products, or in an insurer, or in an insurance producer; **even though a specific product or company is not mentioned**; or to induce the public to purchase, increase, modify, reinstate, borrow on, surrender, replace, or retain a policy or contract, is considered advertising.

Advertising includes printed, published, or audio visual materials, including brochures, letters, videos, advertisements, or articles, distributed in any medium, including newspapers, magazines, billboards, mail, direct sales presentations, Internet, business cards, or stationary.

Advertising does not include communications or materials used within an insurer's own organization which are not intended for dissemination to the public. Advertising does not include individualized communications with clients which do not fit the description above.

### **A. Advertising Applicability**

These rules shall apply to any advertisement intended for dissemination to the public. All advertisements (including agent advertising) that includes the EquiTrust name or refers to its products must be reviewed and approved by EquiTrust prior to use. Agents and marketing organizations must review, at least once a year, advertising approval guidelines stated below and available on the Agent Website. These rules apply to the use of social media sites such as Facebook, Twitter and LinkedIn to solicit or induce a person to purchase or inquire about a life insurance or annuity product.

### **B. Advertising Form and Content Rules**

- Do use only the most current sales material provided by EquiTrust or materials that have been approved by the Company. You may order materials from our Sales Support Center or download from the Agent Website.
- Do NOT affix a label in such a way so as to modify or change the appearance of EquiTrust materials.
- Do NOT disparage other companies, producers/agents or products.
- Advertisements shall be truthful and not misleading in fact or by implication. They should be sufficiently complete, balanced, and clear so as to avoid deception. Advertisements must include limitations or negative features if positive features are discussed. Insurance terms identifying the extent or nature of the contract or policy must be defined, if not broadly known by the buying public.
- All statistics shall be recent and relevant. Source of statistics must be disclosed.
- Non-guaranteed elements must be based on insurer's current scale and must contain a statement that they are not guaranteed. (Ex: "Current Company practice" or "Subject to change"). Non-contractual features may not be advertised in some states.
- If non-guaranteed elements are illustrated, guaranteed elements must be illustrated in equal prominence.



- Use of the following terms is prohibited: “deposit”, “savings”, “savings account”, “contributions”, “investment”, “profit”, “profit sharing”, “plan”, “investment plan”, “founder’s plan”, “charter plan”, “expansion plan”, “interest plan”, “savings plan”, “investment department”, “insured investment department”, “approved by the Insurance Department”, “savings annuity plan”, “securities annuity plan”, “tax savers plan”, “units of participation”, or any similar terms.
- The term “CD Annuity” is prohibited by NAIC model rule, “certificate of annuity” is prohibited by common industry practice.
- No unsubstantiated terms, unless supported, such as: “best”, “full”, “all”, “highest”, “most”, “largest”, “free”, “safest”, “no cost”, “without cost”, “no additional cost”, “no extra cost”, “risk free”, “guaranteed safe”, “no red tape”, “special”, “limited”, “vanishing”, or “vanishing premium”.
- Premium must always be referred to as “premium”.
- May not refer to “savings” in reference to cash value.
- Terms such as “No load” and “no sales charge” must also reference surrender charges.
- No person shall advertise capital or assets of the insurer without setting forth the amount of liabilities in same advertisement. (Can use assets under management alone.)
- Must not state that purchaser will share in percentage or portion of insurer’s general account.
- Generic features must not be listed as special or particular to the policy or contract; and must be identified as features generic to all such contracts of that type.
- Limitations should not be worded positively to imply a benefit and must be clearly defined.
- Material may not compare contracts or policies, benefits or marketing methods of other insurers. Also, material may not disparage other insurers, producers, services or methods of marketing.
- Materials may not make comparison with other investment vehicles (SEC controlled).

### **C. Identity of Insurer, Product and Agent in Advertising**

If the advertising piece references or describes EquiTrust products or services it must be approved by EquiTrust prior to use and the following guidelines apply:

- The agent’s or agency’s name and their address and/or phone number must appear, if agent or agency is the one advertising.
- The name of insurer must be clearly identified. (Example: Contract (or policy) issued by EquiTrust Life Insurance Company®, West Des Moines, Iowa, on Form Series xyz.)
- This is how to use our company name:

First Reference or Most Prominent Reference:  
EquiTrust Life Insurance Company®

All other references:  
EquiTrust

- Full legal names of insurers must be used when specific products are advertised. First reference use full company name, all other references afterwards may use shortened version, as noted above. Registration mark is required on the first use of EquiTrust name, and is not required on shortened versions.
- Reputation of the parent or subsidiary may not be used in conjunction with the issuing company.
- May not in any way imply that a company other than the insurer has any responsibility for the financial obligations under the policy or contract.
- May not in any way imply that contract/policy or insurer is affiliated with any governmental program or agency, through text or graphics (name, service mark, slogan, symbol, or any device).
- Non-licensed distributors must not be mentioned and should not appear in advertising.
- Must not mention State Insurance Guaranty Association in advertising.
- A product name used in marketing must not give the impression of being a company or organization.
- Must prominently describe the type of insurance advertised (example: single premium deferred annuity), at the front or beginning of material.

- Must use complete marketing name of product.
- Insurance producers may use terms: “insurance agent”, “insurance specialist”, “insurance producer” and “insurance professional”.
- State certification is required to be described as one of the following: “Financial Planner”, “Financial Consultant”, “Financial Counselor”, “Investment Advisor”, “Retirement Planner”, “Pension Specialist”, “Retirement Specialist”, and “Mortgage Specialist”. Insurance agents may not use these terms unless certified and actually compensated for such services. With use of any of these titles, proof of certification is required prior to approval by EquiTrust. Additionally, any compensation disclosure requirements due to a producer being compensated by the client will be the responsibility of such insurance producer.
- **No** Medicaid Spend-down marketing.
- **No** “Mortgage Protection” programs or “in event of disability.”
- **No** marketing of programs or prospecting strategies that promote the use of Veteran’s Administration (VA) benefits or any state’s Department of Veterans Affairs benefits. This includes events, presentations, seminars, workshops or other public gathering regarding veteran’s benefits or entitlements.
- **No** advertising effective annual yield as this is a securities term that may be confusing to clients.

## D. Advertising Procedures

All advertising must comply with the regulations of the state in which the advertising is used. For this reason, your agent contract specifies that all advertising be approved by EquiTrust prior to use. Non-compliance can lead to termination; that’s why it’s important to submit all advertising that references the Company’s products or services to EquiTrust for approval. Advertising submitted to EquiTrust will be reviewed within **two** business days if the Company’s name or products / services are mentioned.

All client and agent recruiting materials not produced by EquiTrust must be approved prior to publication or use.

**Please submit your advertising with the following information:**

Agent/Contact Name  
 Agency/Marketing Organization  
 Phone number  
 Name of Publication/Medium  
 Quantity of Distribution  
 Audience type  
 States where ad will appear  
 Date of Distribution  
 Final Approval Deadline

EquiTrust will review your ad, recommend any changes needed, and will assign an ad tracking number.

Please send all advertising, prior to use, as an email attachment to the Assistant Vice President of Communications, whose email address is available on the Advertising section of the Agent Website. You may also fax or mail to EquiTrust. Contact information can be found on page 3 of this document.

**NOTE: EquiTrust is only able to review advertisements submitted in English at this time.**

## 12. Marketing and Advertising Requirements of California Insurance Code

California Insurance Code Sections 789.8 through 789.10 impose additional requirements on advertising practices that target senior citizens. Unless otherwise noted, California defines senior citizens as persons age 65 and older. The following is a reminder of your responsibilities when marketing to seniors in California:

### Advertisements

Any advertisement or other device created to produce leads based upon a response from the potential client must prominently disclose that an agent may contact the applicant. Any agent making contact with a person as a result of acquiring that person’s name from a lead-generating device must disclose the fact in the initial contact with that person.

Agents may not solicit business using a true or fictitious name which is misleading to the senior and may not use advertisements that are misleading in nature.

Advertisements include envelopes, stationary, business cards, worksheets, questionnaires, or other materials designed to describe and encourage the purchase of a product, or to collect personal or financial information about a prospective insured or purchaser of an annuity. Business cards, written price quotations, and print advertisements must include the agent's license number in the same size type as any phone or fax numbers. Business cards, written price quotations, and print advertisements must include the word "Insurance" in the same size type as any phone or fax numbers.

Advertisements may not reference words, letters, initials, symbols or other devices that are similar to those used by government agencies, nonprofit organizations, veteran's organization or agency, charitable institutions, senior organizations, or other organizations which could confuse a senior consumer.

Advertisements may not imply that a senior could lose a right or privilege or benefits under federal, state or local laws for failure to reply to an ad.

Advertisements that claim a senior is entitled to reduced rates or special privileges when the policy or contract will be issued the same as if it were sold on an individual basis at regular rates is prohibited.

Advertisements for events where insurance products (including annuities) will be offered for sale which use the terms "seminar", "class", "informational meeting" or substantially equivalent terms must also include the words "and insurance sales presentation" immediately following the identified terms in the same size font and text.

### **Marketing Considerations**

An annuity may not be sold to any senior in California in which the senior's purpose in purchasing the annuity is to affect Medi-Cal eligibility. While the state of California allows for exceptions to this rule, please note that EquiTrust does not.

Any agent meeting with a senior in the senior's home is required to deliver a separate, stand-alone notice in writing to the senior no *less* than 24 hours and no *more* than 14 days prior to the initial meeting. If the senior has an existing insurance relationship with an agent and requests a meeting with the agent in the senior's home the same day, a notice must be provided to the senior prior to the meeting. (Form number ET-2535CA is available Agent Website to fulfill this requirement.) The notice must filled in appropriately and must not contain additional information beyond what is included in the form.

Once the agent arrives at the senior's home, the agent must, before making any statement other than a greeting, state that the purpose of the contact is to talk about insurance, or to gather information for a follow-up visit to sell insurance and state all of the following:

1. The name and title(s) of all persons arriving at the senior's home.
2. The name of the insurer represented by the person, if known.

Each person attending the meeting at a senior's home must provide the senior with a business card or other written identification stating the person's name, business address, telephone number, and any insurance license number.

The persons attending a meeting at the senior's home must end all discussions and leave the senior's home immediately if asked to leave by the senior.

A person may not solicit a sale of an annuity or life insurance policy at the residence of a senior, in person or by telephone, by using any plan, scheme or ruse that misrepresents the true status or mission of the contact.

### **Delivery of Trust or other Legal Document**

Section 785.4 of the California Insurance Code requires that agents that are not licensed attorneys are prohibited from delivering to a person who is age 65 or older, a living trust or other legal documents, other than an insurance contract or other insurance product document, if the purpose of the delivery is to sell an insurance product. Any insurance agent that is licensed as an attorney is prohibited from delivering a living trust or other legal document to persons age 65 or older, other than an insurance contract or other insurance product document, unless the insurance agent complies with Section 6175.3 or the Business and Professions Code.

## **13. Fair Competition Guidelines**

EquiTrust is committed to fair and active competition as the most effective and efficient means of providing products and services to insurance buyers. We require our agents to engage in fair competition. Failure to do so could result in the termination of an appointed agent.

Fair competition is based on the elements of price, quality, and customer service subject to federal and state antitrust laws and state insurance laws and regulations. Focus on fair competition can identify certain negative practices to be eliminated, such as inappropriate replacement and bashing of competitors.

The National Association of Insurance Commissioners (NAIC) has developed model acts dealing with unfair trade practices and with advertising requirements. A high standard is set for fair competition. Most jurisdictions have adopted the model laws or established even higher state specific standards. These are intended to assure appropriate market conduct in the business of insurance by addressing unfair methods of competition and unfair and deceptive acts and practices.

Unfair competition is conduct that is unethical, dishonest or false, in the insurance business, particularly related to improper practices that try to substitute one insurer's products or services in the market for those of another insurer. The following practices are prohibited:

#### **A. Misrepresentation**

Making any estimate, illustration, circular or statement, sales presentation, omission or comparison that misrepresents the benefits, advantages, conditions or terms of any contract or policy; or is misleading as to the financial condition of any insurer or to the legal reserve system upon which any Company operates; or using any name or title of any product or class of products misrepresenting the true nature thereof; or any intentional misquote of rates for the purpose of inducing the purchase, lapse, forfeiture, exchange, conversion or surrender of any policy or contract.

#### **B. False Information**

Making, publishing, disseminating, circulating or placing before the public an advertisement, announcement or statement containing any assertion, representation or statement with respect to the business of insurance which is untrue, deceptive or misleading.

#### **C. Defamation**

Making, publishing, disseminating or circulating, directly or indirectly, any oral or written statement or any pamphlet, circular, article or literature which is false, or maliciously critical of or derogatory to the financial condition of any insurer, and which is calculated to injure the insurer.

#### **D. Boycott, Coercion and Intimidation**

Entering into any agreement to commit, or by any concerted action committing any act of boycott, coercion or intimidation resulting in or tending to result in unreasonable restraint of, or monopoly in, the business of insurance.

#### **E. False Statements and Entries**

Knowingly making any false material statement of fact as to the financial condition of an insurer; and knowingly making a false entry of a material fact in any book, report or statement of any insurer or knowingly omitting to make a true entry of any material fact pertaining to the business of such insurer in any book, report or statement of such insurer, or knowingly making any false material statement to any insurance department official.

#### **F. Unfair Discrimination**

Refusing coverage based on sex, marital status, race, sexual orientation, religion, or national origin of the individual.

#### **G. Rebates**

Knowingly permitting or offering to make any agreement as to purchase or retain such insurance other than as plainly expressed in the contract or policy issued thereon; or paying or allowing, directly or indirectly, as inducement, any rebate of premiums, or any special favor or advantage in the benefits provided by the contract or policy, or any valuable consideration or inducement.

#### **H. Unfair Financial Planning Practices**

Holding himself/herself out, directly or indirectly, to the public as a financial planner, investment advisor, consultant, financial counselor, or any other specialist engaged in the business of giving financial planning or advice relating to investments, insurance, real estate, tax matters, estate or trust matters when such person is in fact engaged only in the sale of life insurance or annuities. This does not preclude persons who hold some form of formal recognized financial planning or consultant certification or designation from using their designation when they are only selling insurance. This does not permit persons to charge an additional fee for services that are customarily associated with solicitation, negotiation or servicing of our contracts or policies.

## I. Bashing

Behavior that occurs when, in a sales situation, a Company or its representative puts the primary focus on negative attributes, other than relevant and factually accurate information, of a competitor or its representatives rather than on the positive attributes of that Company or its products or services is referred to as bashing.

## J. Disparaging

This term refers to statements, either written or verbal, that are untruthful, deceptive or misleading or otherwise unlawful with regard to competitors. Such statements are usually intended to dissuade a customer from doing business with a competitor. Disparaging statements do not include relevant, factually accurate information.

## K. Pretext Interviews

This term refers to an interview whereby a person, in an attempt to obtain information about a natural person, performs one or more of the following acts: (1) pretends to be someone he or she is not; (2) pretends to represent a person he or she is not in fact representing; (3) misrepresents the true purpose of the interview; and/or (4) refuses to identify himself or herself upon request.

If you run into any instances that you believe to be unfair competition, please report those to the EquiTrust Compliance Department. ***Also, please refer to your state laws as they may have more strict definitions or guidelines.***

## 14. Life and Annuity Transfers

- Before filling out the transfer paperwork, contact the exchanging company for their paperwork requirements. This may avoid having to go back to the client.
- Verify that owners, annuitants and insureds are listed on the EquiTrust Transfer exactly as they appear on the exchanging company's contract.
- Verify the address of exchanging company. Supply EquiTrust with the mailing address rather than P.O. Box for overnight mailing purposes.
- Mark only the section on the transfer form pertaining to this exchange (i.e., 1035 Exchange, IRA, NQ transfer). Marking more than one section may result in delays.
- Obtain signatures of all owners on the previous contract.
- When requesting multiple transfers, complete a transfer form (and replacement form, if necessary) for each exchanging company. Additional forms can be printed from the Agent Website, under Forms/Materials. We require an "Authorization to Hold" form if the funds are to be held until all funds have been received.
- When calling the transferring company to check the status on pending transfers/1035 exchanges, do NOT claim to be an employee of EquiTrust. When following up on transfers, it is expected that you identify yourself appropriately.
- In accordance with IRS guidelines, it is prohibited to conduct a 1035 exchange from an annuity contract into a life insurance contract. The client must surrender the annuity contract, pay taxes on any gain and forward a check for purchase of the life policy.
- Wealth Transfer Life insurance policies must be purchased with a single premium check. Please combine all funds into one check prior to sending to EquiTrust.

## 15. Position on Replacement

EquiTrust recognizes that in certain instances, replacements are necessary or advantageous to policy or contract owners. However, unnecessary replacements may lead to complaints, regulatory action and litigation. Replacement activity should be considered only if the transaction is in the client's long-term best interest. In order to determine whether replacement involving an EquiTrust policy or contract is in the client's best interest, the agent is expected to:

- Comply with applicable state and federal statutes and Company procedures;
- Apply EquiTrust's definition of replacement;
- Analyze each replacement to determine if it is appropriate for the client;
- Provide the information necessary for the client to make an informed decision;
- Disclose on the application or in other written form whether replacement is involved; and comply with the Business Guidelines.

- Accompany replacements with full disclosure of all important information and the appropriate replacement form for the state of issues.
- Churning is prohibited. Churning is the practice where values in an existing policy or contract are utilized to purchase another product solely for the purpose of earning additional commissions or other compensation.

The following is EquiTrust's definition of replacement. This definition applies to individual life policies and annuity contracts – both general account and variable account, internal and external replacements.

### **Definition of Replacement**

Replacement means any transaction in which a new life insurance policy or annuity contract is to be purchased, and that by reason of such transaction, an existing life insurance policy or annuity contract has been or is to be:

- lapsed, forfeited, surrendered or partially surrendered, assigned to the replacing insurer or otherwise terminated;
- converted to paid-up insurance, continued as extended term insurance, or continued under another form of non-forfeiture benefit, or otherwise reduced in value by other policy values;
- amended so as to 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;
- reissued with any reduction in cash value; or
- used in a financed purchase.

A financed purchase occurs when the purchase of a new life insurance policy or annuity contract involves the use of funds obtained by the withdrawal or surrender of or by some or all of the policy/contract values, including accumulated dividends of an existing policy, to pay all or part of any premium or payment due on the new policy. In short, a financed purchase will reduce the value of the existing policy and may reduce the amount paid upon the death of the insured.

If one of the above transactions is processed on an existing policy/contract, either 4 months before or 13 months after the issue date on the new policy/contract, a replacement has occurred.

This definition does not apply to transactions involving\*:

- Credit life insurance;
- Group life insurance or group annuities where there is no direct solicitation of individuals by an insurance agent. Direct solicitation does not include group meetings held by an insurance agent solely for the purpose of educating or enrolling individuals;
- Group life insurance or annuities used to fund formal prepaid funeral contracts;
- Application to the existing insurer when a contractual change or conversion is being exercised, or when the existing policy or contract is being replaced by the same insurer pursuant to a filed and approved program;
- Replacement of life insurance under a binding or conditional receipt issued by the same Company;
- Existing life insurance that is a non-convertible term life insurance policy that will expire in five years or less and cannot be renewed;
- Immediate annuities that are purchased with proceeds from an annuity contract. Immediate annuities purchased with funds obtained by the withdrawal or surrender of, or by borrowing from values of an existing life insurance policy are considered replacements;
- Structured settlement annuities;
- New coverage provided under a life insurance policy or annuity contract where the cost is borne wholly by the insured's employer or by an association of which the insured is a member; or
- ERISA pension or welfare benefit plans; employer established or maintained 401(a), 401(k) or 403(b) plans; a government or church 414 plan; and government or tax exempt 457 plans are normally exempt unless plan participants may choose from two or more providers and there is direct solicitation of individual employees. (Contact EquiTrust for specific exemptions.)

\*Exemption applies if the contract/policy being purchased and the contract/policy being replaced are listed.

For applicants who are residents of California and who are age 65 and older, agents should be familiar with, and comply with, all senior specific considerations of California replacement and suitability law and regulation.

*Some states may require an agent replacing a variable product to be a registered representative. Please be sure to familiarize yourself with your state's specific regulations.*

### **Replacement Review**

Replacement of existing life insurance or an annuity may or may not be in the best interest of the client. If replacement is contemplated, it is crucial that the agent help the client determine whether replacement is

appropriate in light of the client's goals and objectives. When replacement is considered, the policy or contract owner needs to recognize the potential disadvantages of replacement, any plausible alternatives to replacement and the benefits of replacement. Some suggested benefits, disadvantages, and alternatives are listed below.

**Possible Benefits:**

- New cost of insurance rates/current mortality table
- Administration support
- Extended maturity
- Preferred underwriting
- Premium flexibility versus fixed premium
- Features available
- Death benefit flexibility
- Improved loan interest rate
- Consolidation of policies/contracts
- Rate of return potential of variable product
- Avoid loss of death benefit
- Tax efficiency
- Enhanced policy performance
- Opportunity to improve underwriting due to updated interpretation
- Cash value benefits
- Interest rates (current and guaranteed)
- Company ratings

**Possible Disadvantages**

- The new policy or coverage may require underwriting
- Acquisition costs for the new policy or contract
- Surrender charges may apply to the new coverage as well as the old
- Contestability period and suicide provisions usually start over for the new coverage or policy
- If existing cash values are used to fund the new coverage, the existing policy will not accumulate value as originally expected
- In cases where policy values are being used to pay premiums on the existing policy, the remaining cash value may be insufficient to carry the coverage. The policy owner may have to resume premium payments. If current interest and expense assumptions change, the cash value may be unable to carry the existing policy.
- There may be adverse tax consequences
- There may be differences in coverage and policy or contract features
- Interest rates (current and guaranteed)

**Possible Alternatives**

- Leave the existing policy or contract intact and purchase a new policy or contract
- Explore whether the client qualifies for an improved rating on existing policies

**Unnecessary Replacements**

Agents and insurers are prohibited from recommending the replacement or conservation of an existing policy by use of a materially inaccurate presentation or comparison of an existing policy or contract's premium and benefits or dividends and values, if any, or recommending that a consumer purchase an unnecessary replacement annuity. This also applies to partial surrenders that are not intended to completely replace an in force contract.

Patterns of actions by policy owners who purchase replacement policies from the same agent after indicating on applications that replacement was not involved in the sale, constitutes a rebuttable presumption of the agent's knowledge that replacement was intended in connection with the sales of those policies and the agent's intent to violate this rule.

As an agent, please remember it is your responsibility to ensure that the product meets the financial objectives of the client. It is also important to be aware of your state's specific replacement regulation and subsequent requirements.

**NAIC Life Insurance and Annuities Replacement Model Regulation – special notice form required**

The NAIC has developed the Model Replacement Regulation to make sure insurers and insurance producers provide consumers with fair and accurate information about life insurance policies and annuity contracts so consumers can make purchase decisions that are in their best interests.

In states that have adopted the model, the applicant and the insurance producer must sign a statement on every application that indicates whether the applicant has existing life insurance or annuity contracts. It is no longer a question of whether the applicant is actually replacing the life insurance or annuity contract but whether there is existing coverage. If there is existing coverage, then the Model Replacement form (ET-RPL-4900) is required. The Model Replacement form defines what replacement is for the client, so they make an educated response to the question of whether they are replacing life insurance or annuity business.

If the applicant answers the question on the replacement form that the proposed sale will not replace existing life insurance or annuities, then the insurance producer’s responsibilities with respect to replacement is complete. If the applicant responds on the replacement form that the proposed sale does involve a replacement, the insurance producer is also responsible for the following requirements:

- The insurance producer must offer to read the replacement notice aloud to the applicant. If the applicant declines, then the applicant must initial the bottom of the form where indicated.
- The insurance producer and applicant must both sign and date the replacement form. A copy of the form must be left with the applicant at the time of application.
- Only approved sales materials are to be used in the solicitation of the applicant’s business. A copy of all sales materials used must be left with the applicant at the time of application.

If you have any questions about the requirements of the Model Regulation please feel free to contact the EquiTrust Sales Support Desk. Additionally, watch the Agent Website for notification of additional state adoptions.

## 16. Policy on Selling Across State Lines

Many agents sell in more than one state. Most states govern sales to residents including any part of the solicitation and delivery. *In order to do business in a particular state, you must have a resident or non-resident license and be appointed with EquiTrust to do business in that state.* The governing factor is the state of solicitation. In other words, in most cases what soil the client is standing on when he or she signs the application will govern the details of the sale. Details of the sale include which application to use, which replacement form, which disclosure, which product is available and where delivery must occur.

As long as the correct forms are used, the agent is appointed in a particular state and the product is approved in the state, the application will meet this review. **An exception is when the agent and client live in the same state and cross state lines to write business.** For example, as outlined in situation 5 on the chart below, if the agent and client are from Iowa (A), and travel to Nebraska (B) to write an annuity, the application will not be accepted. Furthermore, a client cannot go to another state and purchase a product if the product is not available in their resident state.

Situation	Client Residence	Agent Residence	State of Solicitation	Product approved in State	Acceptable
1	A	A	A	A	Yes
2	A	B	A	A	Yes
3*	A	B	B	A & B	Yes
4*	A	B	C	A & C	Yes
5	A	A	B	N/A	No
6	A	B	B	B only	No

\*In situations 3 & 4 EquiTrust requires a written explanation from the agent and client as to why they are in an alternate state to write business.

Note: Situation 1 is not really an example of a cross-state sale, but is provided as an example of the “usual” situation.

**Other state specific exceptions may exist.** For example, when the client is a resident of the state of New York we will not accept the business. The state of New York has very rigid rules in relation to insurance/annuity sales and they have strict rules about agents taking their residents to another state to avert their rules and regulations. These rules are designed to curtail situations where state lines are crossed only to obtain a product not available in NY, not to stop business when the client has legitimate residences in multiple states, and therefore would be likely to obtain insurance/annuities in any of those states.

Other examples include:

- Massachusetts where, by state requirement, no resident of the Commonwealth may sign an annuity application outside of that state.



- Texas, where by current Company practice, no Texas resident may purchase a product outside of that state unless the same product has been approved for sale in the state of Texas.
- Utah, where no Utah resident may purchase a product outside of that state unless the product has been approved for sale in the state of Utah.

In situations where the client has residences in multiple states and the sale is solicited in the state where the client votes and the client has a valid driver's license issued by that state, the product is approved in the state, and the agent is licensed to do business in the state an exception may be considered, other than in regards to annuity products in Massachusetts. **In all situations it is important to understand that delivery must occur in the state in which it was sold.**

## 17. Original Signature Requirements

Please refer to the FAQ section on the Agent Website under 'What forms will EquiTrust accept via fax' for an up-to-date list of documents that require original signatures. For additional questions, please contact Customer Support.

## 18. Sales to Active Duty Military Service Members

Many states have adopted regulations pertaining to sales of insurance to active duty service members of the United States Armed Force and have mandated additional disclosure requirements regardless of where the sale takes place. Form ET-MIL-1101 is available on the Agent Website and is required to be provided at the time of application if the client is an active duty member of the United States Armed Forces.

## 19. Guidelines for Writing Business on Canadian-Resident Owners and/or Annuitants

EquiTrust is not licensed to do business in any foreign country. However, under the conditions described below, we will make exceptions on annuity applications only for Canadian nationals. At the current time, Canada is the only foreign nation for which EquiTrust will accept business.

Please note that the existence of these guidelines does not assure that any or all applications submitted on Canadian nationals will be accepted. EquiTrust reserves the right to evaluate applications where the applicants and/or annuitants reside in Canada, based on the considerations of the guidelines listed below, and our normal business processing guidelines.

- Agents may not advertise or solicit business in Canada.
- The application **MUST** be completed in the United States and in a state where EquiTrust is admitted, the agent is duly licensed and appointed, and the product applied for is approved.
- Whenever possible, delivery of the contract or policy should be made in the state where the application is taken.
- The proposed owner must be in the U.S. for a reason other than to purchase a product from EquiTrust. EquiTrust will not consider an application on a person who is simply visiting the country.
- The proposed owner must have an existing substantial business connection with the U.S., own real property in the U.S., or be a lawful resident of the U.S.
- Generally, EquiTrust will not accept applications on those who are political figures in Canada; officials; members or employees of Canada (national or local); officers; enlisted personnel; or employees of the Canadian military force.
- The applicant must have a SSN or TIN.
- Any beneficiary of the annuity must have a U.S. SSN or TIN for reporting purposes. If a beneficiary does not have a valid U.S. SSN or TIN at the time the death claim is filed, payment will be made to the estate of the owner for payout to the beneficiary.
- A U.S. mailing address for the owner is strongly preferred.
- All payments must be in U.S. dollars.

## 20. Trusts and Estate Planning:

Agents should be extremely cautious of any involvement with a sales track that connects the sale of Living Trusts or other Estate Planning in conjunction with the sale of insurance products. This caution is also extended to involvement with any program or prospecting system that promotes the use of a trust in connection with qualification for Veteran Administration (VA) benefits.

The unauthorized practice of law has been recognized in a number of states where a non-lawyer performs the following activities:

- 1) Advising and counseling that a specific type of trust agreement would be suitable for their specific estates and should be established.
- 2) Preparation and drafting of trust agreements and the supervision of the execution of those documents.
- 3) Advising and counseling with respect to the laws of the state governing the probate of decedent's estates and the tax laws of that state and the United States.

While it is proper for agents to be conversant in such topics and to alert their clients to the existence of such options, any direct activity such as explanation of the law, preparation or execution of documents must be handled by a private attorney employed by the client. And, of course, it is always important that the prospective client know from the beginning that the agent is selling insurance.

## **21. Money Laundering and Terrorist Financing:**

EquiTrust, in compliance with the U.S.A. Patriot Act and other federal laws related to the prevention of money laundering and terrorist financing, has released its policy on money laundering. As always, EquiTrust is committed to compliance with the letter and spirit of all legal requirements applicable to our business and to the ethical standards of conduct. We also expect that you, as our distributors, will promote these same high standards.

Although this policy will not significantly affect the way you administer business, there are some guidelines to which you must adhere, as well as some procedures that should be followed if you suspect an illegal transaction.

### **Agent Training Required**

Federal anti-money laundering regulations – mandated by the Patriot Act – require that insurance agents receive training on money laundering and terrorist financing, and insurance carriers are responsible for ensuring that agents comply.

EquiTrust is offering training to active agents who have written EquiTrust business at no cost to the agent. Once an agent has been identified as having written EquiTrust business, the agent will be notified by mail of the training requirement. The training is offered online, and takes 30-40 minutes to complete. Only the LIMRA-sponsored training will be accepted by EquiTrust. If an agent takes the LIMRA training through another carrier, no further action is needed, as LIMRA will report the agent's completion to EquiTrust.

Once an agent has been notified that they are required to complete the anti-money laundering training, the agent will have 30-days to complete the training. If the agent has not completed the training within the 30-day time frame, all new business from that agent will be rejected until we receive verification from LIMRA that training has been completed.

EquiTrust recognizes two exceptions to the training requirement. 1) Bank representatives are exempt from the training requirement due to the fact that bank representatives are already required to take anti-money laundering training under the Bank Secrecy Act. 2) Registered representatives (securities licensed agents) are exempt from the training requirement as registered representatives are already required to take anti-money laundering training under the regulations applicable to registered products.

EquiTrust maintains a list of bank representatives appointed with the Company. If you are a registered representative and wish to become exempt from the EquiTrust requirements, you must submit a valid CRD number (assigned by FINRA) and the name of your broker dealer to the licensing and contracting area of EquiTrust.

### **Identification**

One of the most important methods by which the companies can protect themselves from exposure is to implement a stringent "know your customer" policy. We are required to use reasonable efforts to determine and verify the true identity of a customer. You must be careful to obtain all of the necessary information on the current application and forms used to change ownership.

- Names, residence address, business address, date of birth, Social Security or tax identification number, and telephone number.
- Additional disclosures are included in product literature to meet requirements for active duty military members. If you are aware of this status, be sure to thoroughly discuss these items.

We are relying on you to obtain all of this information as well as to review applicable government issued photo identification if the customer is unknown to you. We believe that most customers will understand that these measures are needed to protect against money laundering, identity theft, and other wrong doing. Moreover, our

customers should be accustomed to presenting government issued identification in air travel, in banks, and other financial services. If a client is unwilling to provide you with such information, explain the basis for our policy and insist on proper identification. If the client continues to resist, it may be an indication that the client is trying to hide something.

### **Payment**

In addition to identifying our customers, we must have reasonable belief as to the source of the money used in the transaction. EquiTrust will not conduct business involving illegal funds. We must take care to identify the ownership and source of payments we receive. Therefore, the only acceptable forms of payment will be:

- Checks payable only to the Company from the applicant
- Transfer from trust accounts
- Payments from insurance companies whose policies/contracts are exchanged for one issued by EquiTrust
- Transfers from one financial institution to another
- EFT premium payments on life policies
- Cashier's checks from a financial institution\*

\*Cashier's checks include those that are labeled as "treasurer's checks" or "bank checks".

The following forms of payment will not be accepted:

- Currency (domestic or foreign)
- Traveler's Checks and credit card checks
- Money orders (unless issued by a bank)
- Cashier's Checks from places other than financial institutions
- Other cash equivalents
- Wire transfers directly from a foreign financial center
- Checks drawn from distributor accounts (other than for members of the agent's immediate family).

### **Suspicious Activity**

In addition, it is your responsibility to report any suspicious activity that arises during the application process. Failure to report suspicious activity is a Federal offense, and lack of knowledge about suspicious activity is not a defense. Some risk indicators to watch for:

- The applicant is reluctant to provide normal information when applying, provides minimal or fictitious information, or provides information that is difficult or expensive for the institution to verify.
- Transactions that involve an undisclosed party.
- The applicant shows no concern for the performance of the contract or benefits of the policy, but is very concerned about early cancellation provisions.
- The applicant appears to have contracts or policies with several institutions.
- The applicant purchases contracts or policies in amounts beyond his or her apparent means.
- The applicant is making a single large premium payment, such as buying a single premium annuity and the ownership and source of funds cannot be identified.

This list is not all inclusive. If you see activity that appears to be suspicious, report it to the Compliance Department.

## **22. COMPLAINT, FRAUD OR SUSPECTED FRAUD POLICY**

### **Complaint Policy**

EquiTrust is committed to providing fair and expeditious handling of customer complaints and disputes.

### **Duty to refer complaints to EquiTrust**

Written complaints must be immediately referred to the Compliance Department. If a consumer has a complaint, he or she should be asked to submit it in writing. Contact information is on page 3 of this document.

### **Duty to respond to Company inquiry about complaints**

Once a complaint has been received by the Compliance Department, the agent connected with the sale will immediately be contacted in writing and may be sent a copy of the complaint. The agent is asked to promptly respond directly to each allegation contained in the complaint. The agent should include any fact-finding or needs based selling documentation in the file, sales/marketing materials used and a delivery receipt, if one exists, or if a delivery receipt does not exist, the date on which the contract or policy was delivered.

### **Consequences for failing to respond to an EquiTrust inquiry**

Failure to respond to a Company complaint inquiry may result in termination of an agent's appointment and may

result in a commission chargeback and/or forfeiture of all rights to any further payments under the agent's contract with EquiTrust.

## **Important Notice on Fraud**

It is the policy of EquiTrust that representatives or employees shall not knowingly engage in, or provide assistance to others in any unfair or deceptive practice that involves dishonesty or a breach of trust. This includes, but is not limited to, any activity that constitutes fraud or deceit, misappropriation of funds or personal property, forgery, embezzlement, or unauthorized alteration of documents.

Suspected fraudulent activity is to be reported EquiTrust immediately.

Representatives or employees have an affirmative duty to report any known fraudulent or suspicious activities. No retaliation will be taken against any third person who provides a report on a possible violation of law, ethics, or Company policy - no matter what the report concerns.

If you fail to report, while having knowledge of violations, you will be subject to disciplinary action, including, but not limited to, termination of agent's contract(s)/appointment, recommendation of license revocation and criminal prosecution, civil litigation and restitution. Otherwise, your silence is deemed certification that you have no knowledge of violations of the Company's policy by any representative of EquiTrust.

EquiTrust will cooperate fully with law enforcement and regulatory agencies in the investigation and reporting of established violations of our policy.

We believe that an insistence on the highest standards of ethical behavior benefits all clients, agents, and employees.

## **23. Tax Withholding for Withdrawals/Surrenders Cannot Be Reversed**

When requesting withdrawals and surrenders from EquiTrust policies/contracts, be certain your clients complete the withholding section of the Partial Withdrawal/Surrender form (form ET-2501). EquiTrust is required to withhold in accordance with IRS guidelines. When no withholding instructions are provided by the client, we are obligated to withhold. At the start of a new calendar year, we are unable to recover withholding remitted for a prior year.

If your clients need transactions reversed in a prior year, please inform them that we will reverse the transactions but **cannot reverse withholding**. In order for contract owners to recover withholding, they must report it on their current tax returns, using the 1099 information they receive from EquiTrust. All withholding taken on prior year's withdrawals and surrenders will be reported to policyholders on 1099s, which are mailed by January 31.

**Special Note on Annuitization Proceeds:** IRS guidelines require that a withholding election on annuitization proceeds must be made prior to the initial payout date. In accordance with IRS guidelines we are unable to reverse any annuitization transactions after annuitization has begun.

## **24. Annuity Contracts – Additional Information**

### **A. Annuity Suitability**

#### **EquiTrust Guidelines and Position on Annuity Suitability**

Our program is based on the NAIC Suitability in Annuity Transactions Model Regulation. The needs analysis begins when the agent first meets with the client and should continue throughout the sales process. Before recommending products to a client the agent should make all reasonable efforts to obtain relevant information from the client regarding their annuity needs and financial objectives.

“Recommendation means advice provided by an insurance agent, or an insurer where no agent is involved, to an individual consumer that results in a purchase, exchange or replacement of an annuity in accordance with that advice.” (NAIC Suitability in Annuity Transactions Model Regulation)

In order to gather the relevant information, we have developed the Financial Needs Analysis Form (ET-2506 – form number may vary by state). This completed form is required to be submitted at the time of application. The form acknowledges review of the product-specific disclosure statement, provides a method of collecting and communicating client suitability information, acknowledges the suitability of the agent recommendation and helps maintain our system of supervision. This form does not represent the only information gathering an agent should do, but rather is an acknowledgment we use to confirm the receipt of certain relevant information and to ensure our system of supervision is followed. Assistance with completing the Financial Needs Analysis can be found in the Financial Needs Analysis Agent User Guide (form ET-3107).

If the sale is a replacement transaction, the agent should also use the Disclosure & Comparison of Products (form ET-2506A – form number may vary by state).

Our system also requires that certain information be provided to consumers to assist them in making a decision about purchasing a product. Such information includes:

- Annuity Buyer's Guide—This document is sent with each annuity contract delivered to the client to review during his/her free look period.
- Disclosure Statement— The information contained in the disclosure is provided to improve the client's understanding of the basic features of the plan for which they are applying. This information will also assist in determining the appropriateness of the product in relation to his/her needs and allows the client and/or the agent to evaluate the recommended product against benefits of similar plans.
- Delivery Receipt – Delivery Receipts are obtained at delivery of all new contracts. This document is used to confirm delivery and reinforce the client's understanding of his/her purchase; and
- Other information as required by law or deemed appropriate by EquiTrust.

### **Agent Responsibilities**

Agents are responsible for knowing and following our guidelines for suitability and complying with all laws and regulations regarding suitability. Agents are in the best position to gather information and make recommendations involving our products since they have direct contact with customers. It is the agents' responsibility to gather and analyze relevant information. The information gathered by the agents and sent to EquiTrust is documented on the Financial Needs Analysis form. In addition, agents should maintain thorough documentation for each sale after the sale is completed.

Our program consists of a front-end suitability and financial needs analysis review prior to the issuance of each annuity contract. As a result of our suitability review, we may:

- request additional information or clarification;
- work with the agent to revise the recommendation; or
- decline to issue the annuity contract.

### **EquiTrust Standards for Agent Training**

We require that EquiTrust agents be familiar with EquiTrust products and our Business Guidelines, including our Annuity Suitability Standards, and require that each agent review these guidelines on an annual basis.

- Prior to soliciting the sale of an annuity product the agent must have adequate knowledge of the product to recommend the sale of the annuity product. We will require certification of completion of company provided product-specific training be submitted to us *prior to* solicitation.
- We require that agents complete any and all additional training courses required by state or federal law or regulation and submit proof of completion *prior to* solicitation.

We will make certain product-specific and other training available on the EquiTrust Agent Website or in some other manner, where appropriate. There is no charge for this training. Updates and enhancements in our products will require additional training.

## **B.Types of Plans Accepted**

EquiTrust **will not** accept the following types of qualified money\*:

- 401(k)
- 403(b)
- 457
- Defined Benefit Plan
- Pension Plans
- Profit Sharing Plan
- Keogh / HR-10
- Plan money not listed above as an accepted class

\*If eligible can be rolled over into an IRA (individually owned only, no plan ownership allowed).

EquiTrust **will** accept the following classes of tax-qualified money:

- Traditional IRA
- SEP IRA
- Roth IRA
- SIMPLE IRA – Transfers only; no new or ongoing contributions

Confidence Income Annuity is available for non-qualified and Traditional IRA business only.

### C. Policy on Joint Ownership of Fixed Annuity Contracts

Consumers may request joint ownership of a fixed annuity because they are under the misconception that joint ownership of an annuity is like joint ownership of a bank account. It is not.

With a joint bank account, either of the persons named on the account can make a withdrawal from the account without permission from the other. With joint ownership of an annuity, the signatures of both owners are required to exercise the rights of ownership.

Further, if a withdrawal is taken from an EquiTrust annuity, the primary owner will receive a 1099 form. This means that the primary owner assumes the tax liability for the withdrawal, even if the entire withdrawal was spent by the joint owner. Any joint owner under age 59 ½ would also be liable for the 10% penalty tax on any taxable amount of his or her portion of the withdrawal.

Additionally, when a contract has non-spousal joint owners, the distribution at death rules are applied upon the death of the first owner. Therefore the entire interest in the contract would then be distributed to the beneficiary(ies) of the contract, rather than to the Joint Owner.

If joint ownership by a married couple is desirable for other reasons, the primary beneficiary must be listed as “**surviving spouse**” for the spousal exception to the required distribution rules to apply. If someone other than the spouse is named as the designated beneficiary, or even if the spouse is the beneficiary along with another person, regardless if the surviving spouse is a joint owner, the spousal exception is lost. The exception to this are the Accumulator MarcSeven and Income MarcSeven products, which state that upon the death of the first owner, the surviving owner is deemed the primary beneficiary. State laws may override the Federal Defense of Marriage Act. Please refer to your state’s law for further clarification.

The desirability of joint ownership should always be carefully reviewed before naming more than one owner to an annuity. Any questions regarding the taxation of an annuity contract should be referred to a tax advisor.

### D. Grantor Trusts

An application for a trust-owned annuity will generally be viewed as unsuitable when the Grantor of a Trust and the Annuitant are not the same person, with few exceptions. For other trust-owned annuity applications, the Trust Information Form should be submitted with the application and other required new business forms. Suitability will be reviewed as with any other application.

### E. Guidelines for Custodial Accounts under the Uniform Gift to Minors Act (UGMA)/Uniform Transfers to Minors Act (UTMA)

**EquiTrust and its representatives are not tax advisors. Any questions regarding the taxation of an annuity contract should be referred to a tax advisor.** The following is a synopsis of EquiTrust guidelines regarding UGMA/UTMA contracts.

A fixed annuity contract may be established for a minor under UGMA or UTMA. The establishment of an UGMA/UTMA contract allows someone to make gifts to a minor without setting up a trust. The transfers made to a contract of this type are considered an irrevocable gift to the minor.

#### Eligibility Requirements:

- A contract may be established for any child under the age of majority. The age of majority is usually 18 or 21, but in some states is age 25.
- An adult is appointed as custodian to manage the contract for the benefit of the minor until the child reaches the age of majority as defined by state laws. Upon reaching the age of majority, the child gains control of the contract. The custodian of the contract must act prudently when managing the contract and/or proceeds of the contract. It may be preferable to name someone other than the donor as custodian otherwise the contract may be included in the donor’s gross estate for taxation purposes.
- No income restrictions exist.
- Anyone may make a contribution to the contract.
- No contribution limits exist (outside of the product’s specific limits).
- Under the annual federal gift-tax exclusion, each donor may generally make gifts of \$14,000 per year, per child without federal gift-tax consequences. Annual contributions to an UGMA/UTMA contract must be made in the calendar year.
- The child must be named as the annuitant. The estate of the minor is named as the beneficiary.

### Tax Considerations:

- All earnings are reported to the IRS under the child's social security number.
- Children under the age of 19 must pay income tax on their unearned income above a certain amount at their parent's income tax rate. (Full-time students under the age of 24 also are subject to this rule.) In 2017, amounts over \$2,100 are subject to this rule.
- There are no special taxation rules for UGMA/UTMA contracts – these rules are applicable to minors with unearned income.

### Other Considerations:

- The contract may be included in the child's assets when determining financial aid eligibility.
- When the minor reaches the age of majority, the child gains control of the contract.
- Once the child gains control of the contract, the money in the contract can be used for any purpose and the child is not limited in using the money. The money is not required to be used for educational purposes – regardless of the wishes of the donor.
- The custodian is allowed to withdraw funds according to the terms of the contract, but the funds must be used for the benefit of the minor.

## **F. Delivery Receipt Requirements**

Annuity product delivery receipts are required by state law for all cases written in the states of California, Louisiana, New Hampshire, Minnesota, Pennsylvania, South Dakota, and West Virginia. By Company practice, delivery receipts are included for all issued contracts. EquiTrust requests the return of the signed delivery receipt, as they provide the ability to:

- allow the agent the ability to document the timely delivery of the contract;
- accurately track the free look period;
- provide documentation to determine the date of release for commissions that are held; and
- provide a signature to verify future transactions against in the event electronic signatures are used at the time of application.

Delivery Receipts will be included with every issued annuity contract issued by EquiTrust; however, client-signed Delivery Receipts are **required** in these circumstances:

- All states that required Delivery Receipts, regardless of premium amount
- All Confidence Income Annuity contracts
- All contracts which generate a commission over \$25,000 (see next section for details)
- All life insurance policies.

Faxed delivery receipts may be accepted. Please contact New Business for verification.

## **G. Commission-Hold Policy on Large Cases**

### **Delivery Receipts will be REQUIRED for Release of Held Commissions**

Commissions will be held on all Confidence Income (SPIA) sales until the signed delivery receipt has been received by EquiTrust.

For all other annuity products, commission amounts over \$25,000 will be subject to a hold on any portion over \$25,000.

The held amount will be released after the client-signed Delivery Receipt has been received by the company **and** the Free-Look period has ended. The Free-Look period may vary by state, but begins on the contract delivery date. Example:

April 1	Agent sends application to EquiTrust, for which a \$35,000 commission is due
April 4	EquiTrust issues & mails contract to agent & remits \$25,000 partial commission payment
April 8	Agent delivers contract to client and collects a signed Delivery Receipt
April 23	End of Free Look period; \$10,000 held commission is paid to agent

For split cases where the commission is payable to two or more agents, the commission hold will apply to the aggregated commission.

If the commission amount subject to the hold is less than \$1000, the excess will NOT be held and the entire commission will be paid upon contract issue.

Your commission statement contains a "Held Earnings" section. If you have any questions about the commission-hold policy, contact EquiTrust Sales Support.

## **25. Life Insurance – Additional Information**

### **A. Business Guidelines – Life Insurance**

The basic function of life insurance is to provide payment to persons who suffer loss. While the primary function of life insurance is to provide benefits to survivors when the person whose life is insured dies, some life insurance policies, because of their premium structure, are used for accumulating and holding assets.

### **B. Sources of Information Concerning Life Risks**

EquiTrust obtains underwriting information from a number of sources.

The application is the most important source of information concerning the applicant's identity; marital status, health, and past, present and contemplated occupations. It also reveals information about where the applicant lives, amount of insurance he/she has, amount he/she wants to buy and whom he/she wants to name as beneficiary. It covers the majority of the important information needed by the insurance company to make a sound underwriting decision.

The application becomes a part of the insurance contract. For this reason, it should always be filled out carefully and completely. Abbreviations, if any, should be used sparingly; and all questions should be answered in such a way that they can be understood many years after completion.

### **C. Field Underwriting**

Field underwriting plays a key role in the evaluation of an application for insurance. The agent has the opportunity to see and talk with the applicant and make observations that are not available to the underwriter.

Good field underwriting includes asking all required application questions and knowing and following the underwriting guidelines published by EquiTrust.

### **D. Backdating**

EquiTrust life insurance policies are based on the insured's age last birthday. An applicant may occasionally ask to backdate the policy to save age. Backdating is subject to Company and state guidelines.

The policyowner should understand that insurance charges and expenses begin on the Policy Date. Accrued cost of insurance charges deducted from the initial premium results in the values within the Policy being lower than those illustrated.

For those customers who choose to pay premiums by automatic bank draft, the account will be drafted for each month that the Policy is backdated unless this amount is already included in the initial premium payment.

### **E. Notice and Consent for Laboratory Testing**

Some states require an insurer to obtain written consent at the time of application in order to perform certain laboratory tests (primarily involving blood or oral fluids). If a Notice and Consent form is required by the state in which the application is taken, this form should be signed and returned to EquiTrust with the application.

### **F. Important Notices for Applicant's Files**

The life insurance application packet includes certain important notices that must be left with the client. Remove and leave with the applicant all pages indicated by watermark to be left with the client.

### **G. Adverse Underwriting Notification**

Underwriting decisions are posted to the Agent Website. If the decision rendered is "declined" a letter is mailed to the client explaining the reason it is declined. A letter is also mailed to the writing agent communicating the decision.

### **H. Policy Delivery Receipt**

#### **All policies should be delivered immediately.**

Issued policies will be mailed to the agent for delivery to the owner. The policy must not be delivered if there is any indication the applicant's insurability has changed since the application was written. In this case, the agent should immediately contact the underwriting department and seek further direction.

The agent should always deliver the policy personally to the owner. This means the actual physical handing of the policy to the owner by you. If the owner is a corporation, partnership, charitable organization, etc, personal delivery should be made to the authorized individual who signed the application or an officer, director or other individual with equal authority.



Upon delivery of any life insurance policy, the agent must obtain receipts in triplicate. Such receipts must be signed by the policyholder and contain the date of delivery. *The free look period begins on the date the policyholder signs the receipt.* One copy must be left with the policyholder, one copy retained by the agent and one copy returned to EquiTrust.

## **I. Stranger Originated Life Insurance**

Stranger Originated Life Insurance, or STOLI, is a practice or plan to initiate a life insurance policy for the benefit of a third party investor who, at the time of policy origination has no insurable interest in the life of the insured. These practices are receiving increased attention from regulators. State insurance law may prohibit the owner of a life insurance policy from entering into any agreement to sell, transfer or assign a life insurance policy prior to the date the policy was issued, or within a period of time specified by state law after the policy was issued.

EquiTrust has policies designed to help identify this type of transaction. When such an application or change of ownership is identified, the business will be declined.

## **J. BOLI/POLI/COLI**

Business-Owned Life Insurance (BOLI) and Pension-Owned Life Insurance (POLI) is not accepted by EquiTrust at this time. Corporate-Owned Life Insurance (COLI) is subject to the Company's position that no non-natural ownership, with the exception of trusts, may be accepted without prior Home Office approval.

## **K. Life Insurance Illustrations Model Regulation**

The purpose of this regulation is to provide rules for life insurance policy illustrations that will protect consumers and foster consumer education. It provides illustration formats, prescribes standards to be followed when illustrations are used, and specifies the disclosures that are required in connection with illustrations. The goals of this regulation are to ensure that illustrations do not mislead purchasers of life insurance and to make illustrations more understandable.

The Regulation defines an illustration as any projection of non-guaranteed elements. Non-guaranteed elements include anything EquiTrust has a contractual right to change. As a result, *any materials* showing non-guaranteed elements (such as brochures, postcards or handwritten notes) are subject to the provisions of the regulation.

The regulation requires that one of the following be submitted with the application:

- If the agent uses an illustration in the initial sales process, one copy of this signed illustration must be given to the client and another copy of this signed illustration must be sent in with the application. This illustration should agree with the application.
- If an agent does not use an illustration in the initial sales process, a Life Insurance Illustration Certification, form number ETL-ILLCERT must be signed and sent in with the application. This form states that an illustration was not used nor shown to the client. In this case, an illustration that agrees with the policy as issued will be created by the EquiTrust and mailed, along with the policy, for delivery and signatures.

Please keep in mind:

- The illustrated non-guaranteed elements cannot be more than the currently payable scale. EquiTrust will update the illustration software each time current assumptions change.
- An agent cannot use the terms "Vanish" or "Vanish Premium".
- In conjunction with this regulation, EquiTrust must provide its agents with information about the expense allocation method used by EquiTrust in its illustrations. This information will be posted on the Agent Website "Buzz" page each year.
- Any changes within the first 12 months of issue will require a revised illustration that requires a new set of signatures.

## **L. Tax Treatment of Life Insurance**

Life insurance products receive favorable tax treatment with respect to the inside build-up of cash value and death benefits if they meet certain definitions under Federal tax laws. With the advent of flexible premium policies, Congress became concerned that flexible premium policies would become investment vehicles and not insurance. To deal with this concern, Congress passed a number of laws to address the potential problem.

If the policy fails to pass certain qualification tests, either at issue or after the date of issue, the policyholder will be notified.

### M. Marketing and Advertising Requirements of Minnesota

Pursuant to Minnesota state statute section 60K.46, unless the client personally knows the identity of the agent and has awareness of their insurance business, or if the client initiated the contact, or if the initial personal contact is made by telephone, or if the attempted sale takes place at the agent's place of business, the agent must provide form ET-2535MN, available on the Agent Website, before a personal insurance solicitation.

In addition, pursuant to Minnesota state statute section 61A.071, no individual life insurance policy may be issued or delivered in the state of Minnesota to a person age 65 or older unless a copy of the application is left with the applicant at the time of application OR the insurer mails a copy of the signed, completed application to the applicant within 24 hours of its receipt at their office.

Please note that EquiTrust will comply with this requirement by sending each applicant that is age 65 or older a copy of their signed application. This will apply to all applications signed in Minnesota or if the owner is a Minnesota resident.

### 26. Office File Checklist

EquiTrust encourages you to review your office files to ensure proper documentation. We have created this checklist to help you review your files. **IMPORTANT NOTE:** Don't destroy any documentation associated with the sales process. This includes, but is not limited to, advertising, letters, sales materials, brochures, illustrations and signed forms.

#### Office File Checklist

Agent: \_\_\_\_\_

Client: \_\_\_\_\_

Date: \_\_\_\_\_

Contract/policy delivery date: \_\_\_\_\_

No blank forms signed by clients.

Documentation on how product/replacement meets clients needs