First **Catholic** Slovak
Ladies **Association**

INSURANCE AGENT (PRODUCER) DISCLOSURE FOR ANNUITIES
(OHIO EXHIBIT A)

Do Not Sign Unless You Have Read and Understand the Information in this Form

Date:______________________________

INSURANCE AGENT (PRODUCER) INFORMATION ("Me", "I", "My")

First Name: __________________________ Last Name: ______________________________

Business/Agency Name: _________________________ Website: ________________________

Business Mailing Address: ____

Business Telephone Number: ____

Email Address: ____

National Producer Number: ____

CUSTOMER INFORMATION ("You", "Your")

First Name: __________________________ Last Name: ______________________________

What Types of Products Can I Sell You?

I am licensed to sell annuities to you in accordance with state law. <u>If I recommend that You buy an annuity, it means I believe that it effectively meets Your financial situation, insurance needs, and financial objectives. Other financial products, such as life insurance or stocks, bonds and mutual funds, also may meet Your needs</u>.

I offer the following products:

☐ Fixed or Fixed Indexed Annuities
☐ Variable Annuities
☐ Life Insurance

I need a separate license to provide advice about or to sell non-insurance financial products. I have checked below any non-insurance financial products that I am licensed and authorized to provide advice about or to sell.

☐ Mutual Funds
☐ Stocks/Bonds
☐ Certificates of Deposits

Whose Annuities Can I Sell to You?

I am authorized to sell:

☐ Annuities from Only One (1) Insurer	☐ Annuities from Two or More Insurers
☐ Annuities from Two or More Insurers although I primarily sell annuities from:	

How I'm Paid for My Work:

It's important for You to understand how I'm paid for my work. Depending on the particular annuity You purchase, I may be paid a commission or a fee. Commissions are generally paid to Me by the insurance company while fees are generally paid to Me by the consumer. If You have questions about how I'm paid, please ask Me.

Depending on the particular annuity You buy, I will or may be paid cash compensation as follows:

☐ Commission, which is usually paid by the insurance company or other sources. If other sources, describe: ____.

☐ Fees (such as a fixed amount, an hourly rate, or a percentage of your payment), which are usually paid directly by the customer.

☐ Other (Describe): ____.

If you have questions about the above compensation I will be paid for this transaction, please ask me.

I may also receive other indirect compensation resulting from this transaction (sometimes called "noncash" compensation), such as health or retirement benefits, office rent and support, or other incentives from the insurance company or other sources.

By signing below, you acknowledge that you have read and understand the information provided to you in this document.

____
Customer Signature

____
Date

____
Agent (Producer) Signature

____
Date

First **Catholic** Slovak
Ladies **Association**

CONSUMER REFUSAL TO PROVIDE INFORMATION
OHIO EXHIBIT B

Do Not Sign Unless You Have Read and Understand the Information in this Form

Why are you being given this form?

You're buying a financial product – an annuity.

To recommend a product that effectively meets your needs, objectives and situation, the agent, broker, or company needs information about you, your financial situation, insurance needs and financial objectives.

If you sign this form, it means you have not given the agent, broker, or company some or all the information needed to decide if the annuity effectively meets your needs, objectives and situation. You may lose protections under the Insurance Code of Ohio if you sign this form or provide inaccurate information.

Statement of Purchaser:

☐ I **REFUSE** to provide this information at this time.

OR

☐ I have chosen to provide **LIMITED** information at this time.

____
Customer Signature

____
Date

First **Catholic** Slovak
Ladies **Association**

Consumer Decision to Purchase an Annuity NOT Based on a Recommendation
OHIO EXHIBIT C

Do Not Sign This Form Unless You Have Read and Understand It.

Why are you being given this form?

You are buying a financial product – an annuity.

To recommend a product that effectively meets your needs, objectives and situation, the agent, broker, or company has the responsibility to learn about you, your financial situation, insurance needs and financial objectives.

If you sign this form, it means you know that you're buying an annuity that was not recommended.

Statement of Purchaser:

I understand that I am buying an annuity, but the agent, broker or company did not recommend that I buy it. If I buy it **without a recommendation,** I understand **I may lose protections** under the Insurance Code of Ohio.

____
Customer Signature

____
Date

____
Agent/Producer Signature

____
Date

BEST INTEREST EDUCATION REQUIREMENT
OHIO

Requirement

All agents (and recommenders) are required to take the following continuing education classes prior to soliciting, negotiating or selling an annuity to an Ohio resident:

a. the state- approved four-hour annuity suitability course

b. a one-hour Best Interest Course

c. FCSLA's product-specific training

Date Required

If you have already taken the basic 4-hour annuity suitability course as well as FCSLA's product-specific course prior to February 14, 2021, you have until August 14, 2021 to take the Best Interest Course. You may not solicit, negotiate or sell an annuity in Ohio (or to a Ohio resident) until you have completed the Best Interest Course by the effective date.

If you did not take the basic 4-hour annuity suitability course prior to June 29, 2021, you must take the 4 hour annuity course, the Best Interest Course and FCSLA's product-specific training prior to soliciting, negotiating or selling an annuity.

Proof of Training

Agents will be required to submit proof that they have completed the required training before FCSLA can accept a new annuity application. This is a one-time requirement (we will keep the certificate of completion on file for subsequent sales).

Available Online Courses

The following are some available online ANNUITY BEST INTEREST course providers (there are numerous other providers, these are some of the more well-known providers):

AD BANKER: www.adbanker.com/continuingEducation.aspx

KAPLAN: www.kaplanfinancial.com

WEB CE: www.webce.com

INSURANCE STUDY.COM: www.insurancestudy.com

Best Interest Rule

The Ohio Best Interest Rule can be found in its entirety on FCSLA's Producers Page under the Best Interest section. All producers are expected to review the rule and all requirements under the rule. Please also see the attached summary.

Questions

Please direct any questions with regard to the new Best Interest Rule to National Sales Manager, Paul Smithers (800) 464-4642 ext. 1018 or Compliance Officer, Karen Visocan ext. 1050.

PRODUCER AND RECOMMENDER
BEST INTEREST TRAINING MEMO

In February 2020, the National Association of Insurance Commissioners (NAIC) approved its Suitability in Annuity Transactions Model Regulation (#275) (the "Best Interest Regulation"). The Best Interest Regulation requires that all annuity recommendations by producers and insurers meet a new **"best interest"** standard. Many states have enacted, or are in the process of enacting, Best Interest Regulations. A complete list of states with Best Interest Regulations can be found on the Producers Page of the FCSLA website.

BEST INTEREST STANDARD

For the past 10+ years, most state laws have included a "suitability" standard for annuity sales. However, under the new NAIC model regulation (and state laws adopting it), insurance producers are now held to a higher, "best interest" standard. Under this standard, you must "exercise reasonable diligence, care, and skill" when recommending an annuity and shall act in the best interest of the consumer, under the circumstances known at the time the recommendation is made, without placing your or FCSLA's financial interest ahead of the applicant's interests. Strictly following the obligations of care, disclosure, conflict of interest, and documentation detailed in the model regulation and state regulations will help ensure you are deemed to have acted in the consumer's best interest when soliciting, selling or negotiating a product.

To satisfy the best interest obligation, you must satisfy the following four obligations: 1) reasonable diligence, care and skill; 2) disclosure; 3) conflict of interest; and 4) documentation. To satisfy the four obligations, when making a recommendation, you must:

- Know the potential member's financial situation, insurance needs and financial objectives;
- Be knowledgeable about the available product options that can be recommended to the applicant;
- Have a reasonable basis to believe the option/product you recommend effectively addresses the applicant's financial situation, insurance needs and financial objectives;
- Communicate the basis of the recommendation to the applicant;
- Disclose your role in the transaction, your compensation (and the role of any other producer receiving compensation for the transaction), and any material conflicts of interest; and
- Document, in writing, any recommendation you make and the justification for such recommendation.

Furthermore, as an insurer, FCSLA is required to establish and maintain a system to supervise your recommendations to ensure that the insurance needs and financial objectives of the applicants are effectively addressed. The new Best Interest Regulations prohibit FCSLA from issuing an annuity product to a consumer unless we have a reasonable basis to believe it satisfies the applicant's insurance needs and financial objectives. We are also required to maintain compensation systems that will not conflict with the best interest of our members and applicants.

Your Obligations

1. Reasonable Diligence, Care, and Skill

Pursuant to the Best Interest Regulations, when recommending an annuity, you must consider the applicant's financial situation, insurance needs, and financial objectives. In order to do this, **reasonable efforts** must be made to obtain consumer profile information from the applicant before making a recommendation by completing the Annuity Suitability Questionnaire (the "Suitability Questionnaire"). You must use the information from the Suitability Questionnaire to determine whether your recommendation addresses the applicants' financial situation, insurance needs, and financial objectives, including their age, income, assets and liabilities, financial experience, objectives, time horizon, use of the annuity, liquidity needs, risk tolerance, and tax status. Due to the importance of the Suitability Questionnaire in determining suitability, FCSLA may refuse to approve an annuity sale if the Suitability Questionnaire is not completed and we can not make a reasonable determination that the product is in the best interest of the applicant.

Additionally, FCSLA is required to track producers' (and recommenders') use of Forms B and C (the waiver of completing the Suitability Questionnaire). Best Interest Regulations require FCSLA to establish and maintain reasonable procedures to identify and address suspicious consumer refusals to provide consumer profile information through applicant/member surveys, telephone calls and other methods.

Furthermore, in order to best advise your client/ the applicant, you must be familiar with the annuity options available to the applicant. You should be familiar with FCSLA products from your mandatory FCSLA product-specific training; however, if you have any questions about our products, please contact National Sales Manager, Paul Smithers before soliciting the sale of an FCSLA annuity product. Of the annuities you are authorized and licensed to sell, you must have a reasonable basis to believe the applicant would benefit from the annuity and its features (e.g. annuitization, death or life benefit, etc.) You must also communicate the reasons for your recommendation to the applicant (and to FCSLA if there is a question regarding the suitability of the proposed annuity). When exchanging or replacing an annuity, you must consider the whole transaction, factoring in surrender charges, commencement of a new surrender period, loss of existing benefits, increased fees, and other exchanges or replacements made within the previous five years. The new product must **substantially benefit** the consumer in comparison to the replaced product for its duration.

2. Required Forms and Disclosures

The Best Interest Regulation requires use of specific disclosure forms. These forms are found on the Producer Page of the FCSLA website. These forms must be signed at the time of the solicitation. You must keep a copy, give one to the applicant and send one in with the completed application. If you have any questions regarding the forms and the information you must complete on the forms, please contact Paul Smithers, FCSLA National Sales Manager Paul Smithers.

3. Conflicts of Interest

Pursuant to the Best Interest Regulations, you are required to disclose to your client your role in the transaction, your compensation (and the role of any other producer receiving compensation for the transaction), and any material conflicts of interest. A material conflict of interest is defined as "a financial interest of the producer in the sale of an annuity that a reasonable person would expect to influence the impartiality of a recommendation." Cash and non-cash compensation are not considered to be material conflicts of interest (though the regulations do impose restrictions on certain types of compensation and incentives FCSLA can offer). An example of a material conflict of interest (provided by the NAIC) is if a producer has a spouse, partner or a close relative who works as a senior executive for a particular insurer. If you have ANY question as to whether you have a material conflict of interest, or if you actually have a material conflict of interest, you must contact National Sales Manager, Paul Smithers to report the conflict or discuss any questions you have.

4. Your Recordkeeping

You must maintain records of the information you collect from your clients; disclosures made to your clients, including summaries of oral disclosures; and other information used in making the recommendations that were the basis for any sales. You must keep these records for seven years after the annuity transaction is completed (unless notified by FCSLA that your state requires a lesser time).

Producer Training

Like the original annuity suitability regulation, the Best Interest Regulation has an agent training requirement. Please see the attached training summary for specifics regarding the requirements. In addition to the state-mandated Best Interest course, all producers and recommenders must read and understand this Best Interest Training memo. If you have any questions about any content in this memo, please contact National Sales Manager, Paul Smithers (1-800-464-4642 ext. 1018).

Conclusion

Potential consequences of non-compliance with the new requirements include, but are not limited to, regulatory investigations and enforcement actions (fines, loss of license, etc.). As a result, you should:

- fully understand the Best Interest requirements and how they apply to your sales practices so you fully comply with the requirements;
- evaluate your documentation process and ensure that the Best Interest documentation requirements are met;
- identify and eliminate (or mitigate if allowed) all conflicts of interest. If you have **any** question as to whether a material conflict exists, or if a material conflict exists that can't be eliminated, contact Paul Smithers, FCSLA National Sales Manager for assistance; and
- continue to adhere to FCSLA Advertising Guidelines and make sure all advertisements are reviewed by the Home Office BEFORE being published.