



Memorandum

To: FCSLA Agents and Recommenders
Re: Best Interest Regulations and New Suitability Questionnaire Form
Date: August 5, 2021

In February 2020, the National Association of Insurance Commissioners (NAIC) approved its Suitability in Annuity Transactions Model Regulation #275, also known as the “Best Interest Regulation”. The Best Interest Regulation requires that all annuity recommendations made by producers and insurers meet a “best interest” standard. This standard is higher than the previous suitability standard. Many states have enacted, or are in the process of enacting, Best Interest Regulations modeled after the NAIC rule. In order to help you keep up with the changing requirements of the Best Interest Regulations, there is a Best Interest section on the Producers’ Page on our website at: <https://www.fcsla.com/producers-page/best-interest-regulations/>

The Best Interest section contains a list of the states that have already enacted Best Interest Regulations as well as those that will enact them on or before January, 2022. The section also contains: i) the **new forms required** to be submitted with all annuity applications; ii) **required education and training** materials and information for each state; iii) a complete copy of the Best Interest Regulations for every state; and iv) supplemental Best Interest materials from regulatory bodies and industry organizations.

In order to comply with the Best Interest Regulations as well as to better assist our independent CPA who completes our statutorily-required annuity suitability reviews, **we have updated our Annuity Suitability Questionnaire form**. A copy of the new form is attached hereto and can also be found on the Sales Support section of our Producers’ Page as well as the Best Interest section. The new Annuity Suitability Questionnaire form will be required to be used with **all** annuity applications (not just in states with Best Interest Regulations).

If you have any questions regarding this memo, Best Interest Regulations or the new Annuity Suitability Questionnaire Form, please contact National Sales Manager, Paul Smithers at (800) 464-4642 ext. 1018.

This form is an essential part of the FCSLA application process.

ANNUITY SUITABILITY AND BEST INTEREST QUESTIONNAIRE

We are required to ask for information that will help determine whether an insurance certificate is suitable for your investment goals, needs and financial situation. This information will not be used for any other purpose and will remain confidential. If you sign the waiver on the following page, it means you may not have given your producer (agent) or FCSLA some or all information needed to effectively decide if the proposed certificate meets your needs and objectives. If we are unable to determine suitability, the application will be rejected.

Proposed Owner	Financial Objectives
Name: _____ Age: _____ Marital Status: Married _____ Single _____ Divorced _____ Widowed _____ Occupation: _____ Tax Bracket: _____	Intended Use of Certificate: (check all applicable) <input type="checkbox"/> Income Replacement/Protection <input type="checkbox"/> Final Expenses <input type="checkbox"/> Wealth Transfer/Inheritance/Gifting <input type="checkbox"/> Cash Value Accumulation <input type="checkbox"/> Pay Off Debts/Liabilities <input type="checkbox"/> Other _____
Financial Information	Time Frame & Existing Accounts
Annual Household Income: \$ _____ Source(s) of Income: (check all applicable) _____ Employment _____ Retirement Plan _____ Investments _____ Social Security _____ SSI _____ Other _____ Is income stable _____ or fluctuating _____ Annual Household Living Expenses: (housing, food, transportation, medical, taxes, etc.) \$ _____ Approximate % of monthly income used to pay installment debts: _____ Liquid Net Worth: \$ _____ (assets easily converted to cash w/out penalty) Total Assets: \$ _____ (ex: residence, bank accts, investments, retirement) Total Debt: \$ _____ (ex: mortgage, rent, loans, credit card, medical bills) Do you have an emergency fund? YES/NO (funds in case of unexpected expenses) Do you anticipate any material changes to your finances in the next 5 years? If Yes: _____ Any other relevant information: _____ _____ _____ _____ _____ _____ _____ _____	How long do you plan to keep the certificate? 1-10 yrs 11-20 yrs 21+ years lifetime What is your financial risk tolerance? Conservative Moderate Aggressive Financial Experience: (I owned/have owned-note the number of years owned) Bonds _____ Fixed Annuity _____ Variable Annuity _____ Stocks _____ Life Insurance _____ Other: _____ _____ REPLACEMENTS Are you using funds from existing life insurance/annuities/CD's to purchase the certificate? YES _____ NO _____ (If yes, a Replacement Form MUST be submitted) If no, source of funding: _____ If yes, how long has policy been in force? _____ If yes, list any penalties/charges or benefits being forfeited: _____ _____ _____ _____ _____ _____ Reason for replacement: _____ _____ _____ _____ _____ _____ Have you replaced any other life insurance policies in the past three years? YES/NO

APPLICANT (PROPOSED OWNER'S) STATEMENT

I confirm that I provided the information above and that it is true and complete to the best of my knowledge. I confirm I have provided all information requested by my producer in order to assess my financial situation. I discussed my current financial information, needs and risk tolerance with my producer. My producer informed me of the advantages/disadvantages of the certificate, its features, the potential consequences of the proposed transaction and provided a product summary. My producer also discussed with me how he/she will be compensated for the sale (and any subsequent servicing) of the proposed certificate.

Applicant: _____ Date: _____

PRODUCER'S STATEMENT

I have made a reasonable effort to obtain necessary information about the applicant(s) financial situation, needs, experience and objectives; intended use of the certificate; net worth and liquidity; tax status; risk tolerance; time horizon and other applicable factors. I have a reasonable basis to believe that the applicant(s) has/have the financial resources to meet any financial commitments associated with the proposed certificate. To the best of my knowledge and belief, the information provided by the applicant(s) is true complete and was obtained prior to the purchase of the proposed certificate. I considered only the interest of the applicant(s) when making the recommendation to purchase the proposed certificate and the recommendation was not influenced by the amount of compensation that I (or anyone affiliated with me) would receive. I completed product training and believe I am knowledgeable about the certificate I have recommended to the applicant(s). I did not use the title or designation of financial planner financial advisor or any similar title without being appropriately licensed or certified (and actually provided such services). I have discussed with the applicant(s) how I am compensated; the advantages and disadvantages of this product; potential consequences of the transaction and provided them with the basis of my recommendation. Based on the information provided by the applicant(s), I believe the recommended certificate is suitable and in the best interest of the applicant(s).

Producer: _____ Date: _____

REFUSAL TO PROVIDE SUITABILITY AND BEST INTEREST INFORMATION

You have the legal right to decline to provide financial and suitability information. However, such refusal affects the producer and FCSLA's ability to determine whether the proposed certificate and transaction is in your best interest. Applicable law requires that both your producer and FCSLA have a reasonable belief that the proposed certificate and transaction is suitable and in your best interests. Accordingly, if either your producer or FCSLA is unable to determine suitability, the application will be rejected. If you refuse to provide financial and suitability information, you and your producer must sign the following statements:

No, I will not answer the questions on the attached sheet. I understand that not providing this information means that the certificate applied for is not recommended by my producer or FCSLA and may affect the ability of FCSLA to issue the certificate applied for.

Applicant: _____ Date: _____

The applicant refused to provide financial and suitability information and selected this product despite a contrary recommendation (or an absence of a recommendation) from me.

Producer: _____ Date: _____