



Aviva**USA** Agent Market Conduct and Compliance Guide

September 2010

**An Introductory
Note To Our
Valued Producers:**

Aviva recognizes and appreciates the many contributions that you make to our success and growth as a company. Our agents, agencies and marketing organizations are a key part of our past accomplishments and future aspirations. Through your efforts in marketing and selling Aviva life insurance and annuity products, we are better able to deliver on our commitment to provide protection, security and peace of mind to our customers. You should be proud of the profession you've chosen. You are in a great position to make a significant positive impact on the financial stability and well being of individuals, families and businesses.

We want to do everything we can to help you achieve and sustain success in the course of selling products and servicing customers for Aviva. A big part of being an insurance professional is doing things the right way – in other words, conducting your business in a fair, honest and ethical manner. Aviva is committed to helping our agents do just that and to assist you in understanding legal and regulatory requirements.

This commitment is exemplified by Aviva's continued qualification for membership in the Insurance Marketplace Standards Association (IMSA). In fact, in July, 2009 the companies of Aviva USA became the first in the nation to complete IMSA's new National Ethics Qualification process. According to IMSA, this achievement was emblematic of Aviva's dedication to exemplary business practices.

In an era of increased regulatory scrutiny of agents and companies, it's critically important that you are aware of key rules and regulations that affect your business. But keep in mind that awareness is only the beginning and ultimately your compliance with all of the requirements of the states in which you do business is a key component in a successful insurance career. To that end, Aviva has an ongoing commitment to you to establish clear guidelines for the conduct of your business with us. Please read the information presented in this Guide and keep this document in a convenient location for your reference.

Again, thank you for all you do for Aviva.

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OVERVIEW AND PURPOSE

The Aviva USA Agent Market Conduct and Compliance Guide was created to assist producers in understanding important Aviva guidelines and procedures related to market conduct and compliance issues, and to help our agents develop a best practices approach to their business activities. In order to fairly and effectively conduct business with customers, Aviva producers must have a thorough knowledge and understanding of Aviva's positions and guidelines, as well as the laws and regulations of the states in which they solicit business.

Every insurance company is presented with the same fundamental challenges of successfully growing their business, achieving customer satisfaction and loyalty, developing and maintaining effective distribution systems for their products, and complying with the regulatory regimes of all states in which it operates. Aviva has made a commitment to its customers to provide life insurance and annuity products that provide value and versatility over a long period of time. We know that you recognize the importance of making product recommendations based on customers' needs. We also know that you share our objective of maintaining solid long-term relationships with those customers by providing outstanding service after the sale. To further these goals, Aviva wants to equip its producers with a basic foundation for good market conduct by providing as much information and guidance as we can in the areas of insurance regulation, Company positions and requirements, and training opportunities on compliance issues.

Yours is a highly worthy profession. The business of selling and servicing life insurance and annuity products is both very challenging and very rewarding. Long term success in the business is achievable only through dedication to your clients, respect for your industry, and a fundamental understanding of what constitutes acceptable market conduct in the eyes of regulators as well as the companies you represent.

Aviva wants you to recognize that our mutual success is only sustainable if we focus on doing the right things for the customer. That emphasis on treating prospective and existing customers with due care goes a long way in solidifying Aviva's reputation as well as your own. The guidelines and positions described in this Guide reflect the goals and values of Aviva. Also understand that these guidelines are intended to help you become familiar with Aviva's compliance rules and standards that you have committed to follow under the terms of your Independent Producer Contract with Aviva.

All producers should understand that Aviva is committed to conducting business in a manner that is consistent with IMSA's Principles of Ethical Market Conduct:

- Principle 1:** To conduct business according to high standards of honesty and fairness and to render that service to its customers which, in the same circumstances, it would apply to or demand for itself.
- Principle 2:** To provide competent and customer-focused sales and service.
- Principle 3:** To engage in active and fair competition.
- Principle 4:** To provide advertising and sales materials that are clear as to purpose and honest and fair as to content.
- Principle 5:** To provide for fair and expeditious handling of customer complaints and disputes.
- Principle 6:** To maintain a system of supervision and monitoring that is reasonably designed to demonstrate the company's commitment to and compliance with IMSA's Principles and Code of Ethical Market Conduct.

Aviva has embarked on a renewed mission of "customer centricity" that it wants its employees and field representatives to embrace. When we are truly focused on the needs, the goals, and the aspirations of our customers, we all benefit from the enduring relationships that perspective creates. Please take the time to review this Guide and keep it in a convenient place for your own reference as needed. This Guide will also be posted and maintained on your Aviva Agents website.

We are here to help you be the best insurance professional you can be. Please contact the Aviva Compliance Department if you have any questions about the topics presented in this Aviva USA Agent Market Conduct and Compliance Guide.

Note: Throughout this Guide, you will see that we have used the terms "agent," "producer," and "field representative" somewhat interchangeably for the sake of convenience and readability. We have referred to Aviva alternatively as Aviva USA or the "Company" at various times as well.

ADVERTISING

Aviva appreciates your efforts in marketing and selling our products, as well as providing high-quality service after the sale to our customers. Customer centricity is a major theme that Aviva wants its employees and its agents to embrace and practice on a daily basis. Aviva also recognizes that marketing, advertising and promotion are all keys to a successful insurance sales practice. We want to help you achieve and sustain that success by informing you of the regulatory standards associated with such material, and provide a fair and attentive review of your material so that you can use it confidently and professionally.

The insurance industry is heavily regulated, primarily by the states. The marketing, advertising and sale of life insurance and annuity products have become the subject of heightened regulatory scrutiny in recent years. In the area of advertising, underlying statutes, regulations, bulletins and guidelines continue to evolve. Many of the communications you make in the regular course of selling life insurance and annuity products are likely encompassed in the regulatory definition of advertising.

It is important for all representatives of Aviva to realize that compliance issues can arise from the communications you have and the marketing or advertising material you share with both prospective and existing customers. When improper or unapproved advertising is used, it may result in reputation or image erosion for you and Aviva, a negative reflection on our industry, insurance department complaints, marketing restrictions, and intensified regulation.

Aviva's Advertising Guidelines are derived to a large extent from the NAIC Advertisements of Life Insurance and Annuities Model Regulation, as well as its own best practices approach for the review of advertising that is based on interaction with customers, regulators and agents over many years. The Model Regulation has been adopted as the law in a majority of states, although there is some variation even among those states. Other states have their own unique regulations pertaining to advertising, although most have provisions that are similar to those found in the Model. Insurance advertising is closely regulated with frequent changes, clarifications, and bulletins issued by state departments of insurance. The following are some key points to keep in mind when developing advertising and marketing material:

Please note: All material that can be reasonably expected to lead to the sale or attempted sale of an Aviva life insurance or annuity product, needs to be submitted for review and approved prior to use. Keep in mind that submission, review and approval is still required regardless of whether the material specifically mentions Aviva, its products or product features.

(1) Broad Definition of Advertising. Please understand that the definition of "advertising" under the Model Regulation, and under Aviva's Advertising Guidelines, is very broad. For the purpose of these Guidelines, advertising is defined as any material designed to create public interest in Aviva (or any affiliated company), its products, its agents or brokers OR any material designed to induce the public to purchase, increase, modify, surrender, borrow on, reinstate or retain a policy of an Aviva company.

(2) Identity of Agent, Purpose of Contact. For any "first-point-of-contact" material such as lead cards, prospecting letters and seminar invitations, the identity of the agent as a "licensed insurance agent," "licensed insurance producer," or "licensed insurance professional" must be clearly and conspicuously disclosed, and the stated purpose of the contact needs to include a reference to life insurance and/or annuities. Aviva expects all of its agents to follow this guideline. An increasing number of states have added specific requirements around such disclosure. For example, North Carolina's Insurance Code includes the following requirement:

An advertisement shall not make use of any method of marketing [emphasis added] that fails to disclose in a conspicuous manner that a purpose of the method of marketing is solicitation of insurance and that contact will be made by an insurance agent or insurance agency. §12.0427(p).

It's also important to note that some states actually require specific language describing agent identity and several require identification by insurance license number (e.g., California and Arkansas).

We encourage all of our field representatives to read the [Aviva Advertising Guidelines](#). These guidelines contain valuable information and instructions on how to submit your advertising material for review. The advertising submission checklists will help you validate your material against Aviva's guidelines and help minimize the need for revisions.

In addition to guidance on general requirements and prohibitions, you will find information on (1) words and phrases to avoid with suggested alternatives, (2) a list of professional designations that are approved or prohibited by Aviva for use in conjunction with the sale or attempted sale of its products, and (3) an Appendix that summarizes some key state-specific rules and requirements for advertising.

Note: If you have questions regarding the appropriateness of certain language or require assistance for formulating acceptable language, please contact the Aviva Advertising Review Team at 800.255.2405, x. 6620 or adreview@avivausa.com.

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

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

(5) Guaranteed and Non-Guaranteed Elements. Under the Model Regulation, advertisements cannot utilize or describe non-guaranteed policy elements in any manner that is misleading and there can be no indication that non-guaranteed elements are guaranteed. Aviva's Advertising Guidelines require that any illustration, depiction or portrayal of non-guaranteed elements such as premiums, rates or values shall contain a clear statement that they are not guaranteed. And, consistent with the Model regulation, **if a consumer advertisement contains illustrations or statements containing or based upon non-guaranteed policy elements, it shall set forth with equal prominence, and in close proximity thereto, comparable illustrations or statements containing or based upon the guaranteed elements.**

(6) Disclosures. Aviva's Ad Review Team has developed and maintains a database of standard disclosure language to assist you in constructing compliant advertising and marketing material that will provide important information to customers. For any material that includes information about Aviva's products or product features, any limitations or conditions should be disclosed as appropriate. Examples of material that require specific disclosures:

- All advertising material that references projected values of Aviva life insurance or annuity products must indicate clearly any elements that may affect such values, including, but not limited to, surrender charges, cap rates, participation rates, market value adjustments, etc. **[Such disclosure must be in a font size sufficient to be easily readable.]** In some instances, depending upon the nature or size of the piece, it may not be practical to include the applicable disclosure language in its entirety. In such instances, at a minimum, it should include a clear message that the product or product feature is "subject to conditions and limitations" and contain a clear and conspicuous message as to where such conditions and limitations can be found.
- Any advertising material that references guaranteed elements or features (e.g. a No-Lapse Guarantee on an indexed life product) must indicate whether the guarantee is subject to any requirements and conditions, and where disclosure of those requirements and conditions can be found.
- Any advertising material that discusses or references the tax aspects of Aviva life insurance or annuity products must (1) explain, or cite the authority for, such tax treatment, (2) contain a clear statement that the reference to tax treatment does not constitute tax, legal or accounting advice and (3) contain a clear statement that the consumer should consult their own legal or tax counsel to confirm how the tax treatment may apply to them.
- Any advertising material that discusses or references the tax aspects of a program, plan, concept or transaction that may, in some way, utilize Aviva life insurance or annuity products must (1) contain a clear statement that the reference to tax treatment does not constitute tax, legal or accounting advice and that neither Aviva nor its agents are permitted to give tax, legal or accounting advice and (2) contain a clear statement that consumers should consult their own legal or tax counsel to confirm how the tax treatment may apply to them.

AGENT EDUCATION AND TRAINING

Aviva's Compliance department provides educational and training opportunities on **Compliance and Market Conduct** issues in a number of ways:

- ▶ Major home office training venues include a Compliance Overview presentation that covers a broad variety of Compliance issues and topics.
- ▶ All approved training presentations on Aviva products, marketing concepts and marketing tools include basic compliance-related information.
- ▶ A Brainshark presentation entitled "Introduction to Compliance for the Aviva Insurance Professional" is available on the Aviva agent website.
- ▶ Other presentations via Brainshark on topics such as replacements and suitability have been distributed through agencies and marketing organizations and are available on the agent website.
- ▶ Monthly webcasts are delivered on a wide range of Compliance and Market Conduct subject matter.
- ▶ Aviva's Legal & Compliance departments publish a quarterly newsletter – the Regulatory Roadmap which provides a variety of articles and tips on compliance-related issues.
- ▶ Aviva's Compliance staff are available on request to present live training or via webcast for agencies and marketing organizations.
- ▶ Aviva's Compliance staff can assist in helping agencies and marketing organizations formulate their own compliance training initiatives and material.

Aviva recognizes the importance of each agent's commitment to adequate education and training as a key ingredient in achieving and sustaining your success as an insurance professional. It is your own personal responsibility to ensure that you comply with all continuing education requirements for each state in which you maintain an insurance license. In recent years, in addition to basic continuing education requirements, some states have enacted additional requirements for agents including mandatory training on certain categories of insurance products or on various market conduct subjects such as suitability. As new requirements evolve, Aviva will continue to notify its producers of their specific duties for the completion of such training.

Independent of state-mandated training, Aviva provides a variety of educational and training opportunities for producers designed to enhance your professionalism, market conduct awareness, and general knowledge of the company's products, policies and procedures. We provide education and training for our agents in the following ways:

- Live training on site for agencies and marketing organizations.
- Home Office training programs and schools for producers on a number of topics ranging from basic company orientation to product information to needs analysis to advanced markets concepts.
- Regularly scheduled webcasts on wide variety of topics which are both timely and informative. These interactive sessions provide information and training on products, marketing material, illustration and presentation systems, industry developments, tax law changes and other items that can enhance your practice.
- Agent Guides and Customer Brochures explaining Aviva products and additional information on various marketing concepts.

The Aviva Training Department is dedicated to helping Aviva producers be the best insurance professionals they can be. We want you to have the very best training and educational opportunities possible. That includes training on products, illustrations, marketing concepts, home office processes and sales skills. Aviva would like all of its producers to become aware of the vast array of tools and resources provided by Aviva to enhance the customer experience for both you and your client.

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

Your commitment to your own business through consistent professional growth is an important ingredient in achieving sustainable career success. This goes beyond merely completing course work or attending training sessions. We all learn from our experiences and the interaction that you have with prospects and clients builds a foundation for improving your own effectiveness and the value that you bring to customers. Over time you also learn from other insurance professionals – possibly through joint work, attending industry meetings that offer presentations by veteran agents, through agent study groups or just by personal observation. One impressive characteristic of our industry has always been that, over the years, many successful agents have demonstrated a desire to "give back" to the business and share their training, knowledge and experience with other agents. By maintaining a serious commitment to your own training and professional development, you can be in a position to do the same thing.

Just as important as your knowledge of marketing concepts and product training is the development of a fundamental framework for market conduct and compliance issues that enhance your ability to successfully operate your insurance practice with confidence and without having to look in the "regulatory rear view mirror."

State insurance departments strictly control licensing, appointment and solicitation requirements. Although most states have similar licensing and appointment rules, there can be important variations and you need to be familiar with the requirements of each state in which you intend to conduct business.

Your Independent Producer Contract

Each agent who is seeking to obtain an Independent Producer Contract from Aviva must complete an Appointment Application and Agreement. It is critical that agent-applicants answer all questions truthfully and accurately. Once executed, that application becomes part of the Contract and any misrepresentation of facts within the application later discovered will be grounds for termination of the Contract. Also note that you have agreed to self-report any adverse actions within five days of their occurrence to our Legal department.

The authority to act on behalf of Aviva under your Contract is subject to a number of terms and conditions. You need to read your Contract carefully and fully understand your obligations under it. One such commitment is your agreement to cooperate with the company and follow its procedures and guidelines – many of which are detailed in this Guide.

Licensing and Appointment

As Section 1 of your Independent Producer Contract states, you are authorized to solicit only those insurance products that have been approved for sale by the applicable state insurance authority and you are properly licensed. State laws and requirements change quite frequently, and you have a professional obligation to ensure that you stay current with the applicable state's rules and regulations concerning such subjects as training, continuing education, suitability requirements, replacements, and various sales practices. Particularly if you are licensed in multiple states, keeping track of this information can be a considerable challenge. Although Aviva spends considerable time and effort keeping its agents current through field bulletins, webcasts and training programs, **it is ultimately your responsibility to understand your obligations under your insurance license(s).**

Aviva follows all state regulations and directives on proper and timely appointment of agents. Although solicitation and appointment rules vary by state, and are subject to change, it is ultimately the agent's responsibility to follow the appointment and solicitation guidelines established in each state in which they hold an insurance license. Aviva will notify agents, agencies and marketing organizations via field bulletin when any state's solicitation and appointment guidelines change.

Although a number of states authorize solicitation prior to their final approval of appointment, they do so under strictly enforced rules regarding the timing of the agent's contract and/or the submission of the first application to the Company. **And, under no circumstances are you authorized to solicit applications on behalf of Aviva in any state that does not allow solicitation prior to appointment until you have obtained an official date of appointment from the state.**

Also keep in mind that although some states allow "pre-appointment solicitation," it is incumbent upon you to familiarize yourself with Aviva's products, procedures and guidelines prior to taking any applications.

To summarize your commitment to Aviva, every agent who receives an Independent Producer Contract to represent Aviva will ensure that:

- A proper license and appointment according to regulatory and Company requirements is obtained and maintained to solicit and submit customer applications for the type of product(s) requested in the customer application.
- All information included with the application for appointment to represent our Company is accurately and completely recorded.
- Applicable state continuing education requirements are completed.

- Licenses are renewed as required, and a copy of the renewed license is immediately sent to the Company.
- Notification is sent to the Company if there is a change in licensing status (i.e., license is terminated, suspended or revoked).
- Any private administrative staff or outside vendors shall either limit their activities to clerical and administrative functions or have applicable required license(s) and Company appointment(s) as well. The agent is responsible for insuring that such persons also comply with these guidelines.
- Any commission or other compensation is not split or shared with an unlicensed person or entity. The Company does not permit rebating. An agent may not give the customer anything of value to induce the sale of a Company product.
- The Company will process terminations of appointments according to regulatory and Company requirements. The reason(s) for termination will also be provided to appropriate regulatory agencies as required by such agencies.

General Solicitation Guidelines

As the discussion above indicates, it is vital that you pay strict attention to the licensing, appointment and solicitation rules of each state in which you do business. The public has a right to expect that the person that is trying to sell them an insurance product is duly licensed with the state and has a current agent contract with the company the agent purports to represent. **Under no circumstance should an Aviva producer act as a "surrogate" for a non-licensed or non-appointed agent.** That means that if an Aviva agent signs the application as the agent, he or she must have been the agent who met with the customer or solicited the application. Deliberately circumventing such rules will jeopardize your contract with Aviva and likely subject you to fines, penalties and possibly the loss of your insurance license.

Aviva is committed to a needs-based selling approach to enhance the effectiveness of its agents in fulfilling the accumulation and protection goals of its customers. We want all of our producers to do as thorough a job as possible in meeting the financial objectives of each customer. Here are some basic reminders on the appropriate solicitation of Aviva customers:

- Do not solicit or illustrate a life insurance policy or an annuity contract in a state in which the Company has not yet released the product for sale.
- Provide competent and customer-focused sales and service, treating each customer as you would want to be treated, with high standards of honesty and fairness.
- Seek information from the customer that will assist in making appropriate recommendations.
- Use only Company approved advertisements, sales literature, and illustration materials.
- Fairly, clearly and fully explain the life insurance policy or annuity contract being sold.
- Specifically distinguish between the guaranteed and non-guaranteed elements of the product.

COMPLAINTS

Consistent with our commitment encompassed in our customer promise – We are building insurance around YOU – Aviva employees and field representatives strive to do the right thing for our customers. More specifically, we want to continue to be an industry leader in innovative high-quality products placed through professional, well-trained agents and offer excellent customer service after the sale. In spite of our collective efforts to do just that, policy owners are not always satisfied with their experience as an Aviva customer. Complaints are a part of doing business, and in a highly regulated environment such as the insurance industry, they can occur for a number of different reasons. Two key aspects of this subject that agents should fully understand are (1) What constitutes a complaint? and (2) What should I do when a customer makes a complaint?

Definition of a Complaint

Aviva defines a complaint as “a written communication primarily expressing a grievance.” The following is a list of some types of written communications that Aviva would consider to be complaints:

- Expression of general dissatisfaction directed to a company officer
- Expression of profanity and/or derogatory statements
- Allegations of violations of insurance law or regulation
- Allegations of criminal activity
- Allegations of fraud
- Allegations of misappropriation
- Allegations of misrepresentation
- Allegations of an inappropriate or unsuitable sale
- Allegations of an inappropriate replacement
- Allegations of unacceptable customer service

It's also important to realize that complaints may come from various sources:

- Aviva life insurance policy owner
- Aviva annuity contract owner
- Beneficiary of an Aviva life insurance policy or annuity contract
- Regulatory body on behalf of Aviva customer
- Attorney on behalf of Aviva customer
- Individual authorized to act on behalf of an Aviva customer, including:
 - Attorney in Fact
 - Conservator
 - Custodian
 - Guardian
 - Insurance agent or financial representative authorized to act on behalf of the customer

Complaint Procedure and Process

If an agent, agency or marketing organization receives a complaint directly, it should immediately be forwarded to the Compliance Department's Customer Resolution Team (CRT).

The Company maintains a log of all written complaints and has a regulatory obligation to maintain accurate records of all written complaints. Further, you need to be aware that it is inappropriate and unacceptable for an agent to initiate any discussion of settlement of a complaint without consulting with and gaining the permission of the Home Office.

The process of responding to complaints received from or on behalf of consumers and complaints or inquiries received from state insurance regulatory divisions is handled by the CRT. All annuity and life insurance complaints for Aviva are handled by the CRT from the Home Office in West Des Moines, Iowa. You may forward any complaint received to the CRT via email to: complaint@Avivausa.com.

Acknowledging Receipt of Complaint. An acknowledgment letter is sent to the policy/contract owner or their designated representative stating that the complaint has been received, is being reviewed and providing contact information of the team member assigned to the complaint.

Request for Agent Response. Aviva notifies agents of complaints received on business written or serviced by the agent. In most instances, Aviva will require a written response to the complaint along with all sales materials utilized in the sales process within five business days of the request. Copies of complaints will be sent via facsimile or email whenever possible. A copy will also be sent to any general agent, agency, or marketing organization involved in the sale.

This is the primary opportunity for an agent to “tell his or her side of the story” and explain any and all details that may be relevant to the CRT’s review and resolution of the complaint.

If the complaint does not involve the conduct of the writing or servicing agent, then the complaint is sent to the agent with instructions to provide a statement at his or her discretion.

Follow-Up for Agent Response. If no statement is received within five business days, within the following five business days a second request is made to the agent and a copy of the request is provided to the applicable Sales Vice President. If a response is not received after the second request, Aviva will proceed with its analysis of and response to the complaint without the agent’s statement.

Contacting the Consumer. Under most circumstances, the CRT will call the customer or authorized individual acting on behalf of the customer. Exceptions to the rule occur when a regulatory agency has requested that we not make contact directly with the customer or when an attorney represents the customer. **Neither the agent nor his/her hierarchy should contact the complainant or policy owner if the policy owner or his/her representative has requested that no contact be made or if a state regulatory agency or an attorney is involved.**

Because the facts and circumstances of each complaint are unique, a case-by-case analysis of each complaint is necessary to determine the appropriate action. An agent’s response to a complaint is taken into consideration before a complaint is responded to by the Company or resolved by the CRT. The CRT will assess the information provided by both the customer and the agent, then determine an appropriate course of action.

Customer Complaint Resolution. Aviva USA is committed to handling complaints in a thorough, fair, expeditious and courteous manner in accordance with applicable statutes, rules and regulations. Aviva’s certification by the Insurance Marketplace Standards Association (IMSA) reflects our commitment to the principles espoused by IMSA and required by IMSA’s members, including an obligation to provide for fair and expeditious handling of customer complaints and disputes.

Aviva understands that when a complaint is filed, it is an opportunity to make a difference to a customer, to gain insight into how the company can better provide value for all customers, and to preserve our relationships with our customers.

For more detailed information on complaint handling and customer resolution, please see the [Aviva Complaint Handling Guidelines – Agent Version](#) available on the Aviva agent website.

Note Regarding Litigation. In lieu of making a complaint, (or some time subsequent to the complaint), a policy owner may choose to file a lawsuit against you, Aviva and possibly other parties who may have been involved in the sale. Should this happen, and the action involves the sale of an Aviva product, please contact Aviva’s Legal Department immediately so that we can respond appropriately. Also, regardless of whether or not the action involves the sale of an Aviva product, you should contact your E&O carrier immediately to report a claim.

CONFIDENTIALITY OF CUSTOMER INFORMATION

Protecting the privacy of our customers' information is an important aspect of providing good customer service and earning the trust of all our policyholders. We are required by law to protect our customers' non-public information and implement internal controls to ensure the confidentiality and security of our customers' information. Congress addressed consumer privacy as part of the Financial Services Reform Act of 1999 (Gramm-Leach-Bliley Act, or GLBA). Title 5 of GLBA lays out responsibilities under federal law with respect to the private information that is gathered and used in the selling and servicing of financial service products, including life insurance and annuities. Nearly a decade ago, the National Association of Insurance Commissioners (NAIC) adopted the Standards for Safeguarding Customer Information Model Regulation which has largely been enacted in every state. This regulation describes the privacy requirements and mandatory controls that are applicable to the insurance business.

"Non-Public Personal Information" refers generally to information collected which is not available to the general public. Concerning Aviva's customers, information of this nature would include, but is not limited to:

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

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

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

Please refer to the [Agents Guide to Privacy](#) for more detailed information. This guide provides a comprehensive explanation of our responsibilities to guard our customer's privacy. The foundation for the guide is the NAIC Model Regulation on Privacy of Consumer Financial and Health Information which was adopted to assist states in meeting the requirements outlined within GLBA. As with most Model Regulations, some states have adopted the Model with little variation while others have established their own unique laws and regulations.

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

CONFLICTS OF INTEREST

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

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

There are a number of very practical reasons, beyond the inherent conflict of interest, why producers should not engage in any of the acts described above.

First, especially in reference to serving as a trustee or holding a POA, you are greatly increasing your liability for any damage or detriment incurred by the customer as a result of your acts or failure to act. Your duty of care has been heightened to that of a fiduciary.

Second, most (if not all) insurance agents' professional liability (errors & omissions) policies specifically exclude from coverage any acts, errors, or omissions related to the agent acting in the role of a fiduciary.

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

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

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

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

Other conflict of interest issues can arise within the context of an agent-client relationship. While strong customer relationships and persistent business are generally encouraged, the following transactions between Aviva producers and Aviva customers are prohibited:

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

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

CUSTOMER SIGNATURES AND CORRESPONDENCE

The clear acknowledgement via signature that the customer understands certain information or undertakes certain obligations when purchasing an Aviva life insurance or annuity product is a necessary part of doing business. The application, issue and delivery processes include requirements around the execution of certain documents and forms. Although Aviva maintains on its agent websites some helpful tips on what forms are required in conjunction with a given case, there are times in which a required form is missed the first time around.

Agents are not permitted under any circumstance to sign a customer's name (this includes initials). Signing a customer's name will subject the agent to disciplinary action by the Company, up to and including termination. This includes the applications, disclosures, illustrations, delivery receipts and any other forms associated with the policy. Forgery is a criminal offense and carries severe consequences, not only from Aviva, but from regulatory authorities as well.

Keeping Track of Paperwork on New Cases

The following are some tips on processing paperwork in conjunction with New Business requirements:

For any point-of-sale disclosure forms that require customer signatures, you should:

- Explain the information contained in the form.
- Ask the customer to read the form.

- Verify that the customer signs the form.
- Make sure the customer records the actual date of his/her signature. An HIV informed consent form must be signed before a blood sample is taken.
- Verify that the application and all applicable required disclosure forms are properly completed and signed by the appropriate person, if signatures are required on the form.
- In situations where the owner and insured are two different parties, you need to pay close attention as to whose signature is required.
- In cases involving policy ownership by a business entity, a company officer other than the proposed insured should sign the application and related forms on behalf of the business.
- Examples of disclosure forms include replacement forms, suitability forms (annuities), certificates of disclosure (annuities), product illustrations (life insurance), HIV Information Consent (life insurance), buyer's guides, guaranty association notices, and various other point-of-sale and delivery disclosure forms.
- Leave the appropriate copy of each disclosure form with the customer as required.

Policy Owner Service Requests

- Immediately refer all policy owner service requests to the Company.
- Requests for policy loans, partial withdrawals or cancellations (along with any refunds of unearned premiums and any cash surrender values) will be promptly handled after proper written requests signed by the policy owner(s) and any interested parties (i.e., assignees or irrevocable beneficiaries) are received.
- Current Company policy may modify signature requirements for certain requests for policy loans in the interests of prompt customer service.
- All notices (i.e., confirmation, premium due, lapse or reinstatement) will be sent to the last known address of the policy owner, unless the Company has on file a written request from the policy owner giving different instructions.
- Aviva will not accept a change of the customer's address to the address of the agent and we monitor change of the customer's address activity in that regard. Where change of the customer's address forms are used, they must be signed by the policy owner.
- Life insurance reinstatement applications must be signed by the owner and will be promptly reviewed according to regulatory requirements, Company policy and applicable policy form language.

DO NOT CALL REGISTRY

The Federal Communications Commission (FCC) prohibits calls to consumers listed on the National Do Not Call Registry. The rule exempts clients with an established business relationship or those who have written for information about products or given written permission. In addition, many states have rules regarding telephone solicitation.

National Do Not Call Registry Guidelines for Producers

The Federal Communications Commission (FCC) adopted a final rule establishing a Do-Not-Call (DNC) Registry, which became effective October 1, 2003. The National DNC Registry is a list where individuals can register their residential phone numbers to limit telephone solicitations. As of October 1, 2003, consumers had already registered more than 52 million phone numbers with the National DNC Registry. The National DNC Registry is managed and enforced by the Federal Trade Commission (FTC). Please understand that the National Registry requirements apply to insurance agents and the calls you may make to customers. Some states have established their own DO-NOT-CALL regulations that may exempt certain insurance solicitations. **But the National Registry DOES NOT provide any exemption for insurance solicitations.**

Impact to Agents:

If you use the telephone to make solicitations, you cannot call people who have listed their number on the National DNC Registry. **If you do call a number on the National DNC Registry, you can be fined up to \$11,000 per call.**

What agents can do:

- Call individuals who are not registered, but only between the hours of 8:00 a.m. and 9:00 p.m. You must identify yourself, your agency and that the purpose of the call is to discuss annuity and insurance products.
- Call businesses (only personal phone numbers can be registered).
- Call consumers with whom you have an “established business relationship” based on the consumer’s purchase or a transaction, within the 18 months prior to the call. (We believe that the payment of premiums and receipt of annual statements constitute such transactions).
- Call consumers who have submitted inquiries or an application within the last three months.
- Call individuals on the National DNC Registry, if those individuals have provided prior written permission to you.

What agents cannot do:

- Call individuals who are listed on the National DNC Registry.
- Call before 8:00am or after 9:00 p.m.
- Call individuals who ask not to be called, regardless of any existing relationship.
- Call individuals based on “referrals” without checking the National DNC Registry.

How does an agent access the National DNC Registry?

The National DNC Registry may be accessed at www.Telemarketing.donotcall.gov. Telephone numbers are sorted by area code. You will be asked to provide identifying information such as agent or agency name and address. The National DNC Registry will be updated every three months, and you must re-check for additional names added to the National DNC registry every three months. You can access five area codes for free. After that there is an annual fee of \$25.00 per area code with a maximum fee of \$7,375.00 for the entire U.S. database. Fees must be paid annually by you.

State Do Not Call Lists

States will continue to have their own do not call lists, many of which will be coordinated with the National DNC Registry. States which have elected not to share with the National DNC Registry and do not exempt any insurance solicitation include: Georgia, Indiana, Louisiana, Missouri, Tennessee, Texas, Wisconsin, and Wyoming. If you are in these states, you need to check your state list also.

Agents' Do Not Call List

Even if a customer has not registered on the National DNC Registry or on a State do not call list, he/she can tell you that he/she does not wish to receive marketing calls from you or your agency. If you get such a request, you must add that number to your own agent/agency "Do Not Call list" and you must not call that customer for solicitation purposes.

Summary

The FCC rule prohibits calls to consumers listed on the National DNC Registry. The rule exempts consumers with an established business relationship or those who have written for information about products or given written permission.

You should check all numbers you call for solicitation purposes against:

- (1) *The National Do Not Call Registry;***
- (2) *Your State do not call list, if applicable; and***
- (3) *Your own Agent/Agency Do Not Call list.***

FOREIGN NATIONALS

Aviva USA and its life insurance subsidiaries are not licensed to do business in any foreign country. Accordingly, we have developed these guidelines for use when doing business with foreign nationals.

The existence of these guidelines does not mean that any or all applications submitted on foreign nationals will be accepted. Individuals living in certain countries may pose an unacceptable risk just by residing in that particular country. Countries that pose this type of risk may change from time to time, due to a variety of uncontrolled factors including, but not limited to, the social, economic, health, political and/or military climate of the country in question.

The following are guidelines for writing business where the owner and/or insured are not residents of the United States:

- Ages 25-70
- Minimum requirements (must be done in the U.S.).
 - Paramed
 - Blood/urine
 - PHI
- Occupation must be:
 - Technical
 - Professional
 - Executive

Excludes-political figures, government officials, military, police, missionaries, journalists, etc.

- Agents may not advertise or solicit business within a foreign jurisdiction.
- The proposed insured and applicant must be a legal resident of the United States or demonstrate one of the following:
 - An existing substantial business or vocational connection with the U.S., for example, total or partial business ownership or employment in the U.S.;
 - A close familial relationship with a current legal resident of the United States;
 - Ownership of real property;
- Must have a pre-existing U.S. bank account and all premiums must be **paid in U.S. dollars**. All premium payments must comply with OFAC and AML procedures.
- All billing notices and policy correspondence must go to a U.S. address.
- Permanent coverage only: (minimum amount \$250,000).
- Riders may be available if from an "A" country.
- Maximum amount - \$10 million.
- Maximum rate – table 4.
- Best class-
 - "A" country – Premier
 - "B" country – Preferred
 - "C" country – Standard
 - "D" country – IC
- The application **MUST** be completed in the United States and in a state where the company is admitted, the agent is duly licensed and appointed, and the product applied for is approved.
- Delivery of the policy must be made in the state where the application was taken. In all cases a delivery receipt will be required and it must accurately reflect the place and date of delivery.
- The producer is responsible for obtaining and paying for all requirements needed from the client's foreign country.
- All requirements from the client's foreign country must be translated into English by an accredited service at the producer's expense.
- Proposed insured and applicant must understand English.
- Ownership may be through a trust, partnership, LLP, LLC, corporation or other legal entity domiciled in the U.S. If the owner does not have a SSN or TIN, a W-8BEN form must be completed.
- Foreign Residence questionnaire is required.
- Financial Questionnaire is required and must include a statement outlining the need for a U.S. policy.
- No hazardous occupations or avocations.

The Foreign National Guidelines have been developed for use primarily in conjunction with life insurance cases. However, the rules/requirements listed above that are not related to underwriting or other life insurance-specific aspects, would apply to annuity applications as well.

ILLUSTRATIONS

Aviva believes that the proper use of compliant illustrations facilitates the agent's explanation of our products to prospective customers. Properly used, illustrations can help promote the customer's understanding of the product they are purchasing. A customer's overall comprehension of policy features, guaranteed and non-guaranteed elements, access to policy values and policy limitations can be enhanced through illustrations. The content and use of illustrations is highly regulated by the states and not just by regulations designed specifically for the subject of illustrations. Advertising laws and unfair trade practice statutes also come into play when an insurance product is portrayed or depicted in any product presentation, including illustrations.

Life Insurance Illustrations

The foundation for Aviva's guidelines on the use of illustrations is the NAIC Life Insurance Illustrations Model Regulation which has been adopted by the individual states, in some cases with variations that are significant. It's important to understand that some states have individual requirements outside the Model Reg that may have been in place even before its adoption or added based on the state's experience with customer complaints.

The Fundamentals of the Model Reg are as Follows:

Purpose and goals:

- To protect consumers.
- To foster consumer education.
- To ensure that illustrations do not mislead purchasers of life insurance products.
- To make illustrations more understandable.

The definition of an "illustration" is extremely broad:

Any presentation or depiction that includes non-guaranteed elements of a policy of life insurance over a period of years.

There are three types of illustrations described:

- Basic illustrations
- Supplemental Illustrations
- In-force Illustrations

In addition to detailing the general requirements for illustrations in terms of content, the Model Regulations contain some general prohibitions from which all agents should refrain:

- Representing the policy as something other than life insurance.
- Using or describing non-guaranteed elements in a misleading manner.
- Depicting policy performance based on assumptions more favorable than the company's current dividend scale or interest crediting rate.
- Providing an incomplete illustration (all pages of the Basic Illustration must be provided to a customer).
- Representing that premium payments will not be required for all years, unless that is a fact.

It's important to realize that, outside of illustrations and supporting material generated by Aviva's LPSS illustration system, any depiction or portrayal of an Aviva product that contains non-guaranteed elements over a period of years is subject to the Model Regulation. Additionally, be aware that any material that you might create that refers to non-guaranteed elements of any kind, including premiums, projected values, cash flow out of the policy, etc., constitute an advertisement under the NAIC Advertising Model Regulation and, therefore, needs to be submitted to Aviva for review and approval prior to use.

Illustration Submission and Delivery Requirements

If a basic illustration is used at point of sale and the policy is applied for as illustrated:

- A signed copy of such illustration must be submitted at time of policy application.

If a basic illustration is used at the point of sale and the policy is issued “other than as applied for,”

- A revised basic illustration must be sent with the policy.
- The revised basic illustration must be signed and dated by applicant no later than policy delivery date.
- The signed copy must be submitted to home office.

If no illustration of any kind is used at the point of sale, or if the policy is applied for other than illustrated,

- The producer shall execute a certification to that effect on a form provided by the insurer.
- The applicant must also acknowledge that no illustration was provided and that he/she understands that a conforming illustration of the policy as issued will be provided no later than the date of policy delivery.
- The “Certificate in lieu of” form must be submitted at time of application. *

*As of the publication date of this Guide, the following states require that a signed basic illustration is submitted with the application for any indexed life insurance product and, therefore, do not allow for the certification for to be used:

- Arkansas
- Connecticut
- North Dakota
- Oklahoma
- South Dakota
- Wyoming

Presentation of Illustration to the Customer

It is imperative that you understand that any highlighting or writing on illustrations in a way that brings prominence to particular elements or features, especially non-guaranteed elements, is prohibited. The following “mark-ups” are generally allowed:

- Highlighting agent name, address, phone #
- Adding a phone or fax number, or email address
- Writing the application # on the illustration
- Writing the date the illustration was shown
- Writing the date of the next appointment

Keep in mind that customers may be purchasing a life insurance policy for the first time and may be unfamiliar with life insurance products and terminology. They are depending on you – the life insurance professional to provide this information in an understandable way. Agents who are new to Aviva should carefully read through a basic illustration in order to be better able to respond to customers’ questions. Also, there are many training opportunities available on Aviva’s illustrations including regular webcasts.

Here are a few simple “best practice” reminders for the effective use and presentation of life insurance illustrations:

- Provide the customer with an overview of the basic illustration.
- Use supplemental illustrations to provide additional detail on the mechanics of the policy.
- Make sure that any supplemental illustration is accompanied by a basic illustration.
- Make sure the customer understands what is guaranteed and what is not.
- Explain the assumptions or conditions that are subject to change in the future, and the effect those changes could have on premiums, death benefits, cash values, and the length of time that the policy remains in-force.
- Avoid aggressive scenarios – e.g., illustrating max cash flows based on current assumptions. It is recommended that applicants be shown illustrations run with interest rates and dividend scales lower than current experience together with the standard current interest rate and dividend scale.
- Make sure the customer understands the nature of policy indebtedness (loans and loan interest) and how any loans or withdrawals could affect the benefits, cash values, and the length of time that the policy remains in-force. The customer should also be aware that loans, withdrawals or surrenders could have adverse tax consequences in certain circumstances.
- Make sure the customer understands the timing of policy charges and interest credits.
- Be able to explain the 7-pay limit, the GSP/GLP and the basic tax aspects of life insurance.
- Contact Distribution Services for illustration support and assistance at ext. 2396.

Annuity Illustrations

At the time of the publication of this Guide, there was no NAIC Model Regulation for the illustration of annuity products. However, it is important to keep in mind that in 2009, the NAIC Annuity Disclosure Working Group began devoting considerable effort toward establishing annuity illustration requirements as part of a new NAIC Annuity Disclosure Model Regulation. Many individual states had provided comments to the Working Group on a suggested template for an annuity illustration that would be applicable to all fixed annuity products, including indexed annuities. In addition, throughout the spring of 2010 and up to the publication of this Guide, a number of companies and industry organizations had provided comments on the proposed regulation for annuity illustrations.

Previously, in 2008, the Iowa Insurance Division issued Bulletin 08-07 regarding the use of illustrations in the solicitation of fixed annuity products in the state of Iowa. This Bulletin outlined the efforts of the state in examining the use of illustrations of fixed annuity products and provided “temporary guidelines” for the use of illustrations. The Bulletin also referenced the state’s regulation on disclosure requirements as well as the regulation on life insurance illustrations and stated that the definition of an annuity illustration could be established in reference to the regulation on life insurance illustrations – “any presentation or depiction that includes non-guaranteed elements over a period of years.”

Among the key concerns mentioned in the bulletin were:

- The ability of insurance producers to generate illustrations using outside software programs or vendors that may allow producers to manipulate interest rates and comparison factors.
- Illustrations in which interest rates or other factors such as caps are depicted to be more favorable than those applicable on the date the annuity contract is issued.
- The absence of a clearly stated minimum guaranteed surrender value in an illustration.
- The absence of an indication within an illustration of how a market value adjustment (if applicable) may affect surrender values.

- Concerns about the use of bonuses within an illustration without an adequate explanation of how such amounts could be sacrificed/recaptured.
- Concerns about clear differentiation within an illustration between rider values (such as guaranteed minimum withdrawal benefit riders) and base contract values, and to which one a bonus may apply.

It is quite likely that a new Annuity Disclosure Model Regulation containing strict requirements for annuity illustrations will be adopted in 2010 and rapidly enacted by most states. Additionally, it is vitally important that agents realize the following three facts:

- (1)** Any depiction or portrayal of non-guaranteed elements over a period of years will constitute an “illustration.” So even material that you may not normally think of as an illustration may be subject to the rules contained in the Model Regulation.
- (2)** Although not all advertisements of annuities constitute illustrations, all illustrations of annuities are considered to be advertisements and are subject to the NAIC Advertising of Life Insurance and Annuities Model Regulation, state-specific advertising regulations and the Aviva Advertising Guidelines. In that regard, as stated in the Model Reg and Aviva’s Advertising Guidelines, if a consumer-directed advertisement contains illustrations or statements containing or based upon non-guaranteed policy elements, it shall set forth with equal prominence, and in close proximity thereto, comparable illustrations or statements containing or based upon the guaranteed elements.
- (3)** Any annuity illustration regulation that is ultimately adopted by the NAIC will likely apply to both companies and producers, and it is possible that any material that meets the broad definition of an illustration will not be able to be used without an accompanying conforming illustration provided by the company.

Aviva will keep its producers informed of additional developments on this subject.

INVESTMENT ADVICE

Aviva understands that there are producers contracted with our companies that are licensed to sell securities and/or provide investment advice to customers, but many are not. If you do not have the appropriate registration, you are prohibited from dispensing investment advice to existing or prospective Aviva customers – by Aviva and by law.

Whether an agent is providing investment advice that requires registration depends on the facts and circumstances, but if you are not licensed to discuss securities or provide investment advice, then the following activities should be avoided:

- Recommending the liquidation of a security;
- Recommending a specific allocation amongst asset classes;
- Discussing the characteristics, advantages and disadvantages of a particular security; and
- Advising a customer as to whether securities are relatively more or less suitable than a fixed insurance product .

Given that variable insurance products are both securities and insurance products, and are regulated by separate authorities, contradictory regulations are sometimes implemented. Agents without securities licenses frequently face challenges with this reality when they attempt to provide a comprehensive analysis of the customer’s financial circumstances and objectives in the course of needs-based selling. In most states agents are required by regulation (e.g. the Suitability in Annuity

Transactions Model Regulation) to “make reasonable efforts to obtain information concerning:

- (1) The consumer’s financial status;
- (2) The consumer’s tax status;
- (3) The consumer’s *investment objectives* [emphasis added]; and
- (4) Such other information used or considered to be reasonable by the insurance producer, or by the insurer where no producer is involved, in making the recommendations to the consumer.”

Whenever an agent takes the time to do a good job of fact finding, he/she is inevitably going to observe the inventory of assets that a customer has in order to make suitable planning and product recommendations with respect to insurance products. Even where no specific discussion of investment products ensues, if the customer chooses to liquidate securities that they own in order to provide a source of funds for the premium on an annuity or a life insurance product, state securities commissioners may nevertheless regard such a transaction as involving the dispensing of investment advice.

For example, the state of Arkansas recently issued a joint bulletin from the state’s securities and insurance departments department notifying all agents and producers that

“the recommendation to replace securities such as mutual funds, stocks, bonds and various other investment vehicles defined as securities under the Arkansas Securities Act is the offering of investment advice.” “It is unlawful to offer investment advice unless one is registered (licensed with the Arkansas Securities Department as an investment advisor or investment advisor representative.)”

It is important to remember that if you are not duly registered to provide investment advice, you must avoid specific discussion of the securities in the client’s portfolio. It is clearly prudent to avoid specific recommendations to any customer to liquidate specific assets that are registered securities to provide the source of funds for the premium on a life insurance policy or annuity contract.

In any event, you are responsible for being aware of, and abiding by, all the laws of the state(s) in which you conduct business – whether they derive from insurance regulation, securities regulation, unfair trade practice statutes or other laws.

Regardless of the jurisdiction, if you become aware that the source of funds for the premium on an insurance product that you sell will come from a security, including variable insurance products, then you should consider taking steps to make it abundantly clear to the client that the liquidation of that security is based on the independent evaluation and decision of the customer and/or the customer’s licensed securities representative, and not on any recommendation by you to do so.

Here are some key reminders when it comes to the area of investment advice/source of funds:

- (1) Do not provide specific advice about liquidating or replacing a security.
- (2) Consider integrating statements in your marketing materials that clearly reinforce what services you do and do not provide.
- (3) Be careful to avoid using phrases that may lead customers to believe you are licensed to provide services other than what you are licensed to provide.
- (4) Consider obtaining a clear acknowledgement from the customer that any decision they make to liquidate securities to provide some or all of the funds for the purchase of an insurance product is their independent decision, and not the result of any specific recommendation on your part.
- (5) Be clear with the customer that if they are considering the liquidation of a security, or they otherwise require investment advice, they should seek the advice of a properly licensed securities professional.

MARKETING CONCEPTS

Aviva believes that its life insurance and annuity products provide significant value for its customers and meet a wide variety of financial needs and objectives. Our Advanced Markets department provides ongoing creative and technical support for a variety of marketing concepts that involve the use of Aviva products in the areas of personal insurance planning, estate planning, business continuation, executive benefits and charitable planning. Aviva also recognizes that quite often new ideas for utilizing life insurance and annuity products originate in the field. The many ways in which Aviva's agents position, promote and effectively sell our products has contributed greatly to Aviva's growth and long-term success.

However, there may be instances in which creativity and enthusiasm around particular sales concepts could lead to disappointment and dissatisfaction for customers. Additionally, some sales concepts that are largely based on the promoter's irresponsible assumptions about tax consequences, or are otherwise recklessly conceived or administered, can lead to customer misunderstanding and confusion. It is critical that all Aviva producers carefully evaluate any sales concept that is presented to them. It's also important that if an Aviva producer plans to utilize a new marketing concept in conjunction with the sale of Aviva products, the concept must be thoroughly reviewed by the Home Office and should not be used until approved.

Over the last several years Aviva has communicated through field bulletins and other communications that the following concepts are **prohibited** from use in conjunction with the sale or attempted sale of Aviva products. The evaluation of all marketing concepts is subject to change at any time and those that are described below do not necessarily represent an exhaustive list of concepts that are unacceptable to Aviva:

- **Welfare Benefit Trusts.** In 2004, we announced that we would not accept life insurance applications from multiple employer welfare benefit trusts – specifically those constructed or designed to meet the requirements of IRC Section 419A(f)(6). Approximately one year later, the Company announced restrictions on the use of so-called single employer welfare benefit trusts under IRC Section 419(e). Then, in October, 2007, the Internal Revenue Service issued guidance on trust arrangements which were marketed to businesses as welfare benefit funds. That guidance was in the form of Revenue Ruling 2007-65, Notice 2007-83 and Notice 2007-84. In the aggregate, these pronouncements resulted in (1) the denial of tax deductions for contributions to such arrangements to the extent those contributions are attributable to the cash value of the policy, (2) the identification of such trust arrangements as "listed transactions" which subject taxpayers to heightened disclosure obligations and potential tax penalties and (3) a general warning to all taxpayers that the types of arrangements that typically purport to provide post-retirement medical and life insurance benefits to owners and key employees may not provide the tax benefits claimed.
As of October 30, 2007, Aviva no longer issues policies to any plans or trusts established or operating under IRC Sections 419 or 419A.
- **Mortgage Related Purchases of Life Insurance.** Several marketing concepts evolved during the past decade that involved the use of home equity or mortgage refinancing as a source of funding for life insurance policies. Such concepts can present certain risks to customers including a changing interest rate environment and reduction in property values. Additionally, promoters of such concepts failed to recognize potential challenges to the presumed deductibility of interest on amounts borrowed in conjunction with the purchase of a life insurance policy. A variety of approaches had emerged in this area including:
 - Using home equity through the use of mortgages, reverse mortgages, or home equity loans to provide funds to pay premiums;
 - Replacing existing mortgages with variable or interest-only mortgages with the assumption that low interest rates would continue and the potential savings would be used to pay premiums;
 - Replacing existing mortgages with the assumption that future loans or withdrawals from the insurance policy would cover mortgage payments;
 - Refinancing mortgages in different ways with the intention of using the proceeds to pay premiums

In October, 2007, Aviva announced that it would no longer accept any applications for life insurance or annuities that involve the funding of such policies through a mortgage-related transaction on a principal residence. This rule applies to all life insurance and annuity products offered by any Aviva company.

- **STOLI/IOLI.** In recent years, a number of troubling marketing concepts have emerged that contemplate the acquisition of life insurance in which no demonstrable insurable interest exists and in which a party unrelated to the proposed insured attempts to profit through the death of the insured. Collectively these concepts have become known as STOLI (Stranger Owned Life Insurance) or IOLI (Investor Owned Life Insurance). These arrangements are generally based on speculation in human life – the very essence of what insurable interest laws are designed to protect against. In addition to the insurable interest issue, such arrangements also pose additional risks to the applicants in terms of diminished coverage available for personal needs, rebating issues and, in some cases, the potential for fraud.

Numerous variations have developed over the years to induce potential insureds to engage in such transactions that are eventually packaged as a pooled investment to groups of investors. Sometimes applicants are offered an up-front fee for the use of their insurability and sometimes they are offered no-cost insurance protection for a period of time. In some cases, the inducement is connected to apportioning a segment of the death benefit of the policy to a charity or other designated beneficiary. Indeed, many promoters have approached charities, especially church groups, to assist in marketing such plans to their members to further the acquisition of large amounts of life insurance with the intent of “selling” the future value of such death benefits in the secondary market. Increasingly, significant efforts have been made by certain promoters to disguise what in essence are STOLI/IOLI transactions with the intent of fraudulently inducing companies such as Aviva to issue policies that are destined to be used in such arrangements.

It is Aviva’s position that STOLI/IOLI arrangements are contrary to public policy foundations associated with the life insurance industry, tend to jeopardize the tax-favored status that life insurance enjoys within the Internal Revenue Code, take advantage of unsuspecting consumers, and frequently involve misrepresentation or fraud in connection with applications presented to Aviva.

Accordingly, all agents need to recognize that Aviva prohibits the sale of its products in conjunction with any such arrangements. Simply put, if there is any evidence of a plan, at the time of application or after issue, that a customer is going to subsequently transfer the policy as part of a STOLI/IOLI transaction or of any intent to engage in a pre-arranged life settlement or similar transaction, Aviva will take appropriate action which may include the cancellation or rescission of the policy. If detected at the time of application, we will not issue the policy. All Aviva agents have a duty to disclose information that is discovered at any time that indicates such a plan is in place. If an Aviva agent attempts to engage in such transactions by withholding or disguising information in the application process, it may lead to commission chargebacks and the termination of producer appointments, contracts and/or selling agreements. Please also keep in mind the following:

- This prohibition includes all of the various forms of “non-recourse premium financing.” This type of premium financing typically includes a loan to the insured for payment of the policy premiums from a third party that has no insurable interest in the insured. However, the facts typically show that the insured never had any liability to repay the loan or intended to keep the policy beyond the first few years. Instead, the insured will transfer the ownership or beneficial interest in the policy to the third party in satisfaction of the loan.
- Additional information and/or forms may be required in select situations to assist Aviva in identifying and preventing applications from being processed and policies being issued in conjunction with STOLI/IOLI plans.

Note: Aviva urges its agents to always submit new ideas, marketing concepts and programs to its Advanced Markets department for evaluation. That department will evaluate the concept or program and decide whether it will be rejected outright for use in conjunction with the sale of Aviva products due to inherent risks, or whether it should be evaluated further through the Marketing Concepts Review Process for review by a committee comprised of Legal, Compliance and Advanced Markets.

Aviva REQUIRES its agents to submit certain concepts or programs, as listed below, to its Advanced Markets department for evaluation. Aviva is never involved in these programs other than issuing an insurance policy, however, this review enables Aviva and its agents to avoid being involved with programs that may involve aggressive representations about tax advantages or minimize and ignore potential adverse consequences and risks to the customer.

Aviva will not allow its products to be sold in the programs listed below, or others that are added as appropriate, until Advanced Markets and the Marketing Concept Review Process have given approval. Approval may be contingent on changes or limitations in the program or its marketing.

Defined benefit plans under IRS Code Section 412(i) or 412(e)(3).

Plans created under IRS Code Section 79.

Sales to captive insurance companies.

It is also important to understand that while Aviva is conducting a review of a particular marketing concept or strategy to evaluate whether such a concept meets with our Company/s guidelines, policies and expectations, in no regard should you consider our feedback and commentary to constitute legal advice. You should always recognize that you are responsible for compliance with applicable laws and regulations, and we recommend that you obtain your own legal counsel to advise you on such matters.

- **Annuity Sales and “Buying-Up” CD Interest Rates.** Aviva has become aware of a certain marketing concept used by some insurance producers that involves the offering of attractive interest rates on certificates of deposit generally through online banks. There are several variations, but the practice usually involves an annuity producer who advertises a rate substantially above rates generally available in the market. In order to make such high rates a reality for the customer, the producer contributes money to the bank along with the customer’s deposit in order to enable the bank to credit the higher rate on that deposit. In other words the producer has engaged in “buying up” the rate on the CD and generally uses a significant amount of advertising to promote such rates.

These advertisements tend to be misleading in that they typically do not provide information about the agent being involved in the business of selling annuity products. Often, the CD buy-up is utilized as a sort of “loss leader” in order for the agent to sell annuity products to those who would otherwise be CD customers. This practice has led to consumer complaints of being misled by the promise of high interest rates into the unintended purchase of an annuity product. Regulators in a number of states have become concerned about this marketing approach and have taken action against agents. They have pointed out that such practices likely represent deceptive trade practices, may violate rebating laws, may need to be registered as securities and probably have tax consequences for the consumer in terms of additional reportable income from the “buy-up.”

Aviva will not approve any advertising materials attached to or associated with such programs. Nor will Aviva accept any business that is generated as a result of this type of marketing program. To the extent that Aviva discovers applications submitted that are connected to the advertising and promotion of CD rate “buy-ups,” the producer involved will be subject to disciplinary action up to and including termination.

NEW BUSINESS

Taking Applications

For life insurance applications, agents should carefully review the new business document entitled “Individual Administration – Completing an Application.” This document provides you with a step-by-step set of instructions for the completion of each section of the application. For annuity applications, instructions for completing the application are located in the Procedural Guidelines section on your agent website. For all cases, please keep in mind that the application becomes part of the policy/contract. In all cases in taking applications for Aviva, the following are some critical points in making sure that your cases are submitted in good order:

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

Note: Agents do not have the authority to waive any of the Company’s informational or underwriting requirements, or to modify the terms of the Company’s applications, policies, or information disclosures.

Note: There are a number of situations in which the use of the Conditional Agreement is prohibited. They are listed on your agent website under Doing Business/New Business/Conditional Agreement.

Conditional Agreement

This agreement, sometimes referred to in the industry as a “Conditional Receipt,” is generally used by life insurance applicants who are attempting to bind coverage in conjunction with the submission of an application and the initial premium. Agents should familiarize themselves with the conditions and limitations contained in the Conditional Agreement and also make sure that the customer understands those conditions and limitations. Aviva agents are authorized to complete and deliver the Conditional Agreement only when the initial premium has been paid in full by the applicant at the time the application is completed.

If the Conditional Agreement is not completed and given to the Proposed Insured, it is to be left attached to the application and sent to the Home Office.

Handling Customer Funds

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

Do not comingle customer funds with agent funds.

Agents are expected to maintain adequate records and procedures to assure proper handling of customer funds. Agents may not rebate or advance premiums.

Underwriting Life Insurance

Part of being an insurance professional is to take your field underwriting responsibility very seriously whenever you take an application for an Aviva life insurance policy. Aviva's Underwriting department is committed to working with agents in order to "provide competitive underwriting, strong products, and excellent service." Agents can assist in expediting the underwriting process by committing to the following as a standard business practice:

- Ask all questions as required by the Company.
- Accurately record all responses.
- Report all knowledge and observations concerning the applicant's health during the application process.
- Follow Company underwriting standards, guidelines and procedures as information is obtained and conveyed to the Company for its determinations to issue, rate, exclude or decline coverage for each applicant.
- Advise the client that possible inspections and telephone interviews are routine parts of the underwriting process.
- Review and comply with all Company guidelines and procedures including any legal and regulatory requirements regarding underwriting standards.
- Please refer to your Aviva agent website under Doing Business/Underwriting for additional information.

Policy Issue and Delivery

Here's a tip: If you have a case that you anticipate, due to size, underwriting issues, suitability aspects or ownership & beneficiary arrangement, may trigger some additional questions by the New Business, Underwriting, or Suitability Review teams, it's always a good idea to provide Aviva with as much additional information as possible in a cover letter, submitted with the application.

Policy Issue. It is vitally important that you familiarize yourself with the New Business requirements for your life insurance and annuity cases. At Aviva, we want to make the process for issuing your new cases as efficient and responsive as possible. As a producer you are a valuable customer for us and we want you to have all of the information necessary to complete any requirements and forms for the business that you submit. When cases are not submitted in good order, the number of outstanding issue requirements is greater, the chance of errors in the processing of the case may increase, and unnecessary delays may ensue that can lead to a disappointing customer experience with Aviva for both you and the applicant. And we don't want that.

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

Fortunately, Aviva provides tools for you including the New Business Wizard for life insurance applications and Document Sets and Forms Checklists for annuity applications. Please utilize these helpful tools to increase the chances that all regulatory and issue requirements are met the first time around!

Delivery Requirements/Delivery Receipts. Aviva focuses on a pro-active approach in gathering all requirements necessary before the end of the policy delivery period. By applying this approach, Aviva is able to mitigate non-compliance in states that require a signed delivery receipt be in our files. This approach allows us to maintain our certification and membership in the Insurance Marketplace Standards Association (IMSA). **Policy delivery is an important part of customer service not only from a compliance perspective but also to solidify the bond of customer to agent. It provides the agent with the opportunity to reinforce the reason(s) for the purchase and hopefully prevent any subsequent external replacement of the policy.**

Remember: A signed delivery receipt is your and Aviva's best documentation that the policy has been successfully delivered. It adds clarity to the commencement date of the "free look" period and it completes a key outstanding requirement in the case file.

The Agent can assist in properly executing policy delivery by:

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

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

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

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

1. Sign and date a written request to cancel the policy within a specified amount of time - usually 20 days - following policy delivery; and
2. Submit the written request to the home office or the agent; and
3. If the agent receives the written request, that agent must immediately forward the request to the home office.

Requests to cancel policies that do not fulfill these conditions (such as a verbal request from the policy owner to the agent, or from the agent to the home office) are invalid and will not be honored by Aviva. Likewise, agents do not have the authority to request cancellations of policies.

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

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

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

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

NON-RESIDENT SALES

Aviva wants to make sure that all of its agents understand rules and regulations that pertain to non-resident sales of life insurance and annuities. **A "non-resident sale" (sometimes referred to as a "cross-border sale") occurs whenever a customer buys a life insurance policy or an annuity contract outside his/her state of residence.**

A substantial part of the mission of state insurance departments is to protect their citizens from purchasing products that have not been approved in their respective states as well as making sure that only agents and companies properly licensed in their respective states are doing business with residents of their states. More than ever, state insurance departments are examining transactions in which residents of their states are being sold insurance products outside their jurisdiction. The repercussions for agents and insurance companies can be severe – fines, penalties, remediation, suspension of agent license or certificate of authority.

With our very mobile society, it's quite likely that you will experience situations in which there is an opportunity to sell a life insurance policy or annuity contract to an individual who is not a resident of the state in which you are located or conducting business. If the solicitation for the sale of an insurance product takes place in a state that is not the state of residence of the applicant/owner, you must comply with the following guidelines and requirements:

- Provide accurate and complete disclosure to Aviva of the location of solicitation, application and delivery.
- Complete the Non-Resident Information Sheet (Form 16257).
- Describe the nexus between the applicant/owner and the non-resident state in which the sale occurs.
- Provide evidence that the applicant/owner is in the non-resident state for reasons other than merely to purchase a product at the time of application.
- Describe the reason(s) the applicant/owner is in the non-resident state at the time of solicitation.
- The solicitation, the application, the premium collection and policy delivery must occur in the same state.

Note: It is important that you understand that some states prohibit cross border sales to residents of their states in general. Also, even in cases in which the Non-resident Information Sheet is completed and an explanation for the non-resident sale is provided, Aviva reserves the right to decline applications based on other information or circumstances known to the Company.

When completing the Non-Resident Information Sheet, keep in mind the following points in establishing a sufficient nexus between an applicant/owner and the non-resident state in which the solicitation takes place:

- A second home in the non-resident state is generally an acceptable reason for the location of the sale.
- A business owned by the customer in the non-resident state is generally an acceptable reason for the location of the sale.
- Employment in the non-resident state is generally an acceptable reason for the location of the sale.
- Regular business dealings in the non-resident state may be an acceptable reason depending on the type and regularity of the contacts.
- Former residence in the non-resident state, with regular visits to that state to family/friends, may be an acceptable reason for the location of the sale.

State insurance departments will not tolerate agents who deliberately bend the rules in the course of selling products to citizens outside their state of residence. Correspondingly, it is quite likely that many Aviva producers sell products in jurisdictions outside of their own state of residence. In order to do so, an agent must maintain the appropriate non-resident license(s) and only sell products approved in the non-resident states while conducting business in those states. In addition, agents must be familiar and comply with all rules & regulations in each state for which a non-resident license is held.

The following are some practices in which no Aviva agent should become involved:

- Do not act as agent in states in which you are not licensed.
- Do not sell products in states where they are not approved.
- Do not invite potential prospects from one state to a seminar in another state due to product unavailability in prospects' state of residence.
- Do not advise a prospect who is a resident of one state to travel to another state due to product availability.
- Do not submit an application indicating application was signed in a state which, in fact, it was not completed and signed.
- Do not act as a "surrogate" for another agent who is not properly licensed in the state in which the solicitation occurs.

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

PATRIOT ACT AND ANTI-MONEY LAUNDERING

The U.S. Patriot Act establishes certain requirements and controls for the financial services industry in order to prevent financial institutions from being used for money laundering and the financing of criminal and terrorist activities. Since 2003, the application of the Patriot Act to banks and other large financial institutions has been extended to insurance companies. Aviva takes this responsibility very seriously and has adopted an Anti-Money Laundering Program in order to fulfill its obligations under the Patriot Act as developed by the U.S. Department of Treasury. In order for you to maintain your Independent Producer Contract with Aviva, you are required to assist the Company in combating financial crime and adhere to all directives outlined in [Aviva's Producer's Guide to Anti-Money Laundering](#).

The focus of the U.S. Patriot Act is primarily on preventing money laundering and terrorist financing. Money laundering is defined generally as the practice of engaging in financial transactions to conceal the identity, source, or destination of illegally gained money or the process of taking the proceeds of criminal activity and making them appear legal. Individuals or businesses who are engaged in the illegal practice of money laundering are generally attempting to avoid a transaction reporting requirement under state or federal law or to disguise the fact that the money was acquired by illegal means. Terrorist financing can generally be defined as the collecting or distribution of funds with the knowledge that they are to be used to sponsor, finance or carry out terrorist acts. Frequently, money laundering is a key component of the financing of terrorist organizations. But it is important to keep in mind that money laundering has much broader application in the facilitation or concealment of a wide range of criminal activity.

Under Aviva's AML Policy, all producers have a fundamental obligation to do the following:

- Protect the Company and your customers against financial crime.
- Stay informed at all times by fulfilling the requirements for anti-money laundering/financial crime training.
- Be diligent in observing customer interaction for suspicious activity.
- Report any suspicious activity that you detect or observe that may be related to money laundering or any other financial crime.

As an insurance professional, you will encounter a variety of prospective customers in the course of your career. These customers will have widely varying backgrounds and financial circumstances. It has been said that insurance professionals who maintain close relationships with their customers often know more about those clients than their lawyer, CPA, banker or stockbroker. But such comprehensive knowledge only comes with time and multiple interactions with the customer. When you first meet a prospective customer, always keep in mind that you, as well as Aviva, are interested in long-term relationships with reputable individuals and businesses who are involved only in lawful activities.

The Aviva Producer's Guide to Anti-Money Laundering provides you a key resource for important information regarding the subject of anti-money laundering and financial crime. The following summary does not cover all the information that is covered in the Producers Guide but offers general information on the following topics:

- Customer Identification
- High Risk Jurisdictions, Businesses and Individuals
- AML Red Flags
- Acceptable Forms of Payment
- Confidentiality
- Reporting Suspicious Activity

Customer Identification. All Aviva producers are required to meet “Know Your Customer” requirements as part of each application for a life insurance policy or an annuity contract. This means that you must validate the identity of each applicant by collecting sufficient personal information to help identify the applicant as well as describing basic financial information and establishing the primary reason for purchasing the product. The financial information and reason for purchase help validate that the purchase is being made for a legitimate purpose and also helps support the suitability of the sale.

The Producer’s Guide also outlines the type of documentary verification of identity that is required in order to process cases involving different types of applicants, including individuals, businesses, associations, charitable organizations, trusts and attorneys-in-fact. For individuals, such documentation must generally be in the form of an official, unexpired government-issued identification document with a photo of the applicant such as a driver’s license or a passport. In the event that an applicant is legitimately unable to provide such documentation, the Company, in its discretion, may perform “non-documentary” verification procedures in order to help validate the identification of the customer. These procedures generally include matching the information provided by the customer to a certified public database. **It is important to realize that Aviva reserves the right to decline an application if it cannot obtain sufficient information to establish the identity of any applicant.**

High Risk Jurisdictions, Businesses and Individuals. The Producer’s Guide maintains a list of “non-cooperating countries and territories” (NCCT) that is established by the Financial Actions Task Force (FATF). Applicants who are citizens or residents of these jurisdictions or have business or political ties to such countries require heightened due diligence and more scrutiny by Aviva in the application process. Also keep in mind that Aviva maintains guidelines that limit the sale of Aviva products to applicants who are foreign nationals. Those rules are provided on Page [] of this Guide. Business entities that may be engaged in businesses or industries that have a reputation for involvement in or intrusion by illegal organizations also typically require greater examination when submitting an application for Aviva life insurance or annuity policies.

AML Red Flags

- The customer insists on making initial or recurring premium payments in cash when they have been informed that cash is not an acceptable form of payment.
- The customer is reluctant to provide personal identification information.
- The Customer attempts to make initial or recurring payments (i.e. checks, wires, and electronic funds transfer) from either of the following:
 - (1) From a non-U.S. Bank account of a OFAC sanctioned or prohibited country;
 - (2) Irregular payment amounts in excess of the monthly premium amount; and/or
 - (3) Use of unacceptable forms of payment (see section below)
- The customer shows little or no concern about the future performance of the product and is greatly concerned with the cancellation and/or surrender terms i.e. fines or penalties.
- A sudden request by the customer to take the maximum loan typically within the first 12 months of the contract inception or within a time frame that appears unreasonable.
- The customer requests a change of ownership on their policy/contract to a person or entity not associated with the account and/or an entity of an OFAC Sanctioned or prohibited country.
- The customer attempts to pay premiums in more than one payment from various unacceptable sources (i.e. checks from unrelated parties, check from various accounts, etc.).
- The customer attempts to pay initial or recurring premiums via a third party person or entity not associated with the policy/contract owner.

Forms of Payment. Like other responsible insurance companies, Aviva has created rules around the type of payment that it will accept in conjunction with the initial premium and for subsequent premium payments as well.

The following forms of payment are **acceptable** to Aviva:

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

Applications and payments can only be taken from legal U.S. residents with a valid Social Security Number or Tax Identification Number.

The following forms of payment are **not acceptable** to Aviva:

- Cash (Currency) in any amount
- Checks made payable to cash
- Money Orders
- Traveler's checks
- Checks or wire transfers originating from a foreign bank.
- Agent or agency check or wire transfer where the agent is the originator (except when the agent is the owner/annuitant).
- Personal checks or cashier checks not made payable to an Aviva company.
- Checks drawn on the account of someone (an unrelated party) other than the Applicant/Owner.
- Starter or temporary checks without the preprinted name of the Applicant/Owner.
- Credit card payments

Applications and payments will not be accepted from individuals who are non-residents in the U.S. or who do not have a valid Social Security Number or Tax Identification Number.

If a customer provides you with a form of payment that is not permitted, it should be returned to the customer immediately and the Anti-Money Laundering Compliance Officer or his/her designee notified.

If an unacceptable form of payment is received by Aviva, it will be returned to the appropriate party.

Reporting Suspicious Activity. Aviva has an obligation under the Patriot Act and related laws to report suspicious activity – especially that which indicates the possibility of money laundering. Both employees and agents who observe the occurrence of any of the "red flags" described above must report the activity to Anti-Money Laundering Compliance Officer or his/her designee immediately by using the Request for Compliance Review (RFCR) form available on the Aviva agent website, Aviva Live. Once a case file has been referred to the Aviva Compliance Department, an in-depth review of the transaction will be completed to determine if a Suspicious Activity Report (SAR) should be filed

with the U.S. Department of the Treasury's Financial Crime Enforcement Network (FinCEN). The Anti-Money Laundering Officer or his/her designee has primary responsibility for filing SARs to FinCEN. Under no circumstance should you ever disclose, to a customer or any other person, the content of a SAR, the fact that a SAR is being considered, or that a SAR has been filed.

Agent Training. Federal regulations that became effective in 2006 require that insurance agents receive anti-money laundering training. Aviva recommends and provides access to the course designed by LIMRA International, although the Company will accept proof of completion of an alternate course that an agent has completed through another carrier relationship or broker-dealer. The LIMRA course is offered to Aviva agents at no cost.

PROFESSIONAL DESIGNATIONS

At Aviva, we fully support your continuing education efforts as this commitment benefits your clients, the companies with whom you do business and the industry. We also enthusiastically support your pursuit of professional designations to further your professional abilities and knowledge. However, in recent years, the number of designations that are used by individuals and groups engaged in the sale of life insurance and/or annuity products has increased substantially. It is very difficult for both companies and consumers to determine the level of education, training or expertise that a given designation appears to represent. But if companies were to allow any designation to be used without review, the result would likely be a general dilution of those designations which truly represent a commitment to education and professional growth.

To help guide you in your decision making process when pursuing professional designations, Aviva maintains a list of approved and prohibited designations. **It is important to realize that unless a designation is on the approved list, it cannot be used in conjunction with the marketing and sale of Aviva products.**

Note that designations that appear on the approved list may only be used in a manner that is consistent with ethical business practices and that you do not obscure the fact you are a licensed insurance professional. In reaching our conclusions on whether to approve or prohibit the use of a particular designation, we generally look at a number of factors including, but not limited to:

- Whether the organization issuing the designation appears to be an educational institution or professional society dedicated to fostering professional growth or appears to operate primarily as a marketing association,
- Whether or not the designation is representative of a rigorous curriculum or substantial course of study as opposed to a relatively brief seminar or workshop,
- To what degree the designation may have the capacity to mislead a consumer into believing that the agent is engaged in a profession other than that of an insurance salesperson,
- To what degree the designation may have the capacity to infer expertise or a depth of education that does not really exist, and
- To what degree regulatory authorities have expressed concern over certain designations – particularly those in the category of “senior specialist” designations.

Ultimately, identifying yourself and your professional background without misrepresenting the fact that you are a licensed insurance agent, who earns commissions on the sale of products, is the number one requirement. The way in which you present yourself to the public, and therefore to potential Aviva customers, is an important industry concern and the subject of increasing regulatory attention. It is generally considered an unfair and deceptive trade practice to misrepresent your expertise or your intention to sell insurance products. For example, using such labels as “income planner,” “asset protection advisor,” or “retirement consultant” can be misleading and obscure the fact the you are in the business of selling life insurance and annuity products.

We review various professional designations from time to time. For a current list of approved and prohibited designations, please refer to the [Aviva Advertising Guidelines](#). Only designations included on the approved list can be used in conjunction with the marketing, sale or attempted sale of Aviva products.

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

PROFESSIONAL LIABILITY COVERAGE (Errors & Omissions Insurance)

Aviva believes that its producers are dedicated to providing a high quality of products and service to their clients. Despite best efforts and best practices, misunderstandings do occur and there are times when a customer may make a complaint against you or a demand upon you in the course of your activity as a financial services and insurance professional. In the worst case, you may be named in a lawsuit for alleged acts, errors or omissions in the conduct of your business.

Aviva Company Sponsored E&O Program

Aviva requires it's agents to prove and maintain adequate errors and omissions insurance coverage as part of their obligations under the Independent Producer Contract. Aviva offers a company sponsored Errors and Omissions program in which any Aviva agent can enroll at the time they become contracted or at a subsequent time such as the expiration of current coverage under another program. The Aviva sponsored program offers a range of limits from \$1,250,000 per claim/\$1,250,000 annual aggregate to \$3,250,000 per claim/\$3,250,000 annual aggregate. It provides very comprehensive coverage for the sale of life, accident and health insurance products through any carrier, subject to the terms, conditions and exclusions under the policy. It also provides coverage for variable products and mutual funds placed through any broker-dealer. Coverage for sales of individual stocks & bonds, limited partnerships, unit investment trusts and general securities is available but only if placed through the broker-dealers specified in the policy. The cost for this coverage varies from year to year and is usually announced within 30 days of the policy's renewal on July 1.

Proof of Alternative Coverage (Opt-outs)

You are not required to enroll in Aviva's Company sponsored E&O program. However, if you do not, you must provide proof of alternative coverage through another carrier or broker-dealer relationship that is acceptable to Aviva. We require proof that (1) the alternative coverage is provided through an insurance carrier and is not a “self-insured” program, (2) the individual agent has coverage under the policy (rather than merely providing aggregate coverage for an entity with which the agent is affiliated), (3) the alternative policy provides coverage for the sale and servicing of life insurance and annuity products within its definition of “professional services,” and (4) the coverage amounts provided are at least \$1 million per claim / \$1 million annual aggregate per agent.

Prevention of Professional Liability Claims

Here are some measures that you can take that may reduce your exposure to E&O claims:

- (1) Maintain character, integrity and fair dealing as unwavering cornerstones of conduct.
- (2) Take your field underwriting responsibility seriously.
- (3) Create strong client relationships with continuous communication and strong listening skills.
- (4) Document all important communications.
- (5) Make sure the client understands.
- (6) Do not exceed your expertise.
- (7) Stay current and take continuing education seriously.
- (8) Train your staff thoroughly and appropriately.
- (9) When engaging in joint work with other agents, be sure to require the same standards of conduct that you have established for yourself.
- (10) Work cooperatively with the client's other advisors, do not avoid them.
- (11) Avoid replacement business and maintain strict compliance with all state requirements when replacement is in the best interest of the client.
- (12) Perform your own due diligence on the companies you represent and the products you sell.

REPLACEMENTS

The replacement of an existing life insurance policy or annuity contract is a decision that an owner should make only after careful consideration of a number of factors. Customers rely on their agents to provide sufficient information with which to make a good decision and agents should make a replacement recommendation **only where it is in the customer's best interests**.

It is the position of the Company that an agent should only recommend a replacement of an existing life insurance policy or an existing annuity contract if, after an appropriate review, it is determined that the recommended replacement will assist the client in meeting his or her insurance needs and financial objectives. Stated in this way, replacement evaluations are really an aspect of the overall suitability of your product recommendation to a customer.

The Company does not encourage or condone the systematic replacement of existing life insurance policies and/or annuity contracts. This includes the replacement of other companies' policies and contracts, as well as the replacement of the Company's contracts. However, we do recognize that, in some instances, a replacement may assist the client in meeting his or her insurance needs and financial objectives.

Specific Considerations

All replacements require the consideration of a number of factors – both product related as well as circumstances unique to each customer. If we consider the four types of replacements that Aviva encounters with life insurance and annuity sales, the following (non-exhaustive) list of considerations emerges for the agent and the customer:

Life Insurance – Life Insurance Replacements

- Underwriting classification of current policy
- Underwriting classification decision on proposed policy
- Original issue age vs. attained age
- Death benefit provided by current policy

- Death benefit provided by proposed policy
- Surrender charges incurred if current policy is replaced
- Surrender charges of proposed policy (duration and amount)
- Guaranteed and non-guaranteed values
- Use of 1035 exchange process to prevent taxable gain, carry over cost basis
- Tax implications for the client (including discharge of outstanding policy loan)
- Policy Charges including Cost of Insurance
- Available riders and their associated costs/benefits
- Matching ownership/beneficiary arrangements
- Company ratings
- Financial status of client
- Retirement income needs of client
- Policy loan interest rates (both current and guaranteed)

Annuity – Annuity Replacements

- Surrender charges incurred if current policy is replaced
- Market Value Adjustment on surrendered contract
- Surrender charges of proposed policy (duration and amount)
- Guaranteed and non-guaranteed values
- Death benefit provisions
- “Free” withdrawal amounts and limitations
- Financial status of customer
- Retirement income needs of customer
- Liquidity needs of the customer
- Flexibility of income/annuitization provisions
- Available riders and their associated costs/benefits
- Use of 1035 exchange process to prevent taxable gain, carry over cost basis
- Company ratings

Annuity – Life Replacements

- Not a tax-free exchange under IRC Section 1035
- Identified need for life insurance / objective to be accomplished
- Has the original need/objective for the annuity disappeared/changed?
- Age of applicant at time of purchase
- Can life insurance be issued on a favorable underwriting basis?
- Can the customer meet ongoing premium payment obligation?

Life – Annuity Replacements

- Health of insured (especially if short life expectancy)

Note that under no circumstances should you ever deliberately disguise a replacement transaction or, in any way, circumvent the Aviva's Replacement Guidelines or the laws of any state. For example, if you are aware that a customer is considering a replacement transaction, do not engage in any practice in which a life insurance policy or annuity contract is surrendered, the proceeds are placed in a temporary account (CD, money market, etc.), and then all or part of those proceeds are used to buy another policy or contract, without properly identifying the transaction as a replacement.

- Purpose for the proposed annuity (income needs vs legacy for heirs)
- Beneficiaries will receive substantially less upon death of insured
- Loss of tax-free death benefit
- Loss of non-taxable (FIFO) withdrawals
- Clear disclosure of annuity surrender charges/other liquidity limitations
- Use of 1035 exchange process to prevent taxable gain, carry over cost basis

Regulation of and Requirements for Replacement Transactions. There has been an increased focus on replacement transactions by regulators in recent years. Many states have adopted the NAIC Model Regulation on Replacement of Life Insurance and Annuities. Most other states have similar requirements. Some states have very strict procedural requirements for producers and insurers—New York's Regulation 60 is a good example.

The NAIC This Model Regulation includes a very broad definition for replacements and imposes stringent requirements for agents and companies. See Aviva's Overview of the NAIC Model Regulation on Replacement of Life Insurance and Annuities on your Aviva agent website.

Important Information on Replacements

Agents must follow state requirements as well as company procedures and guidelines regarding replacements. Aviva provides a significant amount of information for agents to review in order to comply with these requirements and guidelines, including:

- [Aviva's Position and Guidelines on Replacements](#)
- Agent Guide to Understanding the NAIC Replacements of Life Insurance and Annuities Model Regulation
- [Compliance Training Presentation – "Replacements: Guidelines, Considerations and Responsibilities"](#)
- Compliance Training Presentation on Proper Completion of Forms
- Guidelines for Internal Replacements of Annuities
- [Guidelines for Internal Replacements of Life Insurance](#)

Partial Surrenders and Financed Purchases. It is critical that you understand that the broad definition under the Model (and therefore the requirements for compliance) applies not just to full surrenders of life insurance policies or annuity contracts **but also extends to new policies or contracts purchased with funds (e.g. withdrawals or partial surrenders) from existing policies or contracts.** One only needs to examine the Model Regulation and Question #2 on the Multiple States (Model Reg.) Replacement Form:

"2. Are you considering using funds from your existing policies or contracts to pay premiums due on the new policy or contract?"

The Model regulation makes it clear that the definition of replacement extends to so-called "financed purchases" – i.e., transactions in which the purchase of the new policy or contract is funded totally or partially from the values of an existing policy or contract.

In addition, any transaction in which values are used from an existing policy within four months prior to, or 13 months after, the purchase of a new policy with the same insurer, is presumptively treated as a financed purchase. All insurance companies are therefore specifically required to monitor internal replacement activity via financed purchases.

It is vitally important that you have a clear understanding of the requirements for a replacement transaction in each state for which you are licensed to sell life insurance and annuity products. Your compliance with and completion of all requirements when you make a replacement recommendation is critical in assisting Aviva with demonstrating appropriate documentation to regulators in the course of Market Conduct Examinations.

Your own documentation within your client file is also crucial. You should always be in a position to demonstrate that (1) you conducted a thorough review of your clients needs/objectives, (2) you made a fair and careful comparison of the existing policy/contract with the proposed policy/contract, and (3) that you can readily articulate the primary reason for the replacement recommendation (why it is suitable for the customer and in the customer's best interest).

Aviva has considerable confidence in its field representatives to treat Aviva customers fairly and with the intention of doing the best job for each customer, based on their individual needs and circumstances. That is why, at Aviva, we say “We’re Building Insurance Around YOU!”

We also recognize that any profession involving sales, and particularly insurance sales, is highly challenging and generally requires a combination of characteristics in order to achieve success. Some of these traits – for example, conviction, persistence, receptiveness and enthusiasm are quite necessary for producers to navigate the challenges associated with an insurance career.

There are times, however, in which some of these same characteristics can pose some risk for the producer from a regulatory or compliance perspective. In some situations, conviction and enthusiasm may lead to excessively aggressive sales tactics. In others, receptiveness to new ideas may lead a producer to get involved in a marketing concept or sales practice touted by a promoter who cares about neither the producer nor his clients. So, it is important to be aware of some of these pitfalls when you are interacting with your prospects and clients.

And, some of the sub-topics in this section of the Guide are closely monitored by regulatory authorities.

Abusive or Coercive Sales Methods

Agents must strive toward presenting insurance products in a setting where customers are given meaningful choices in their decision to purchase an annuity or a life insurance product. Agents must not engage in any sales tactics that involve illegal, abusive, or coercive sales methods. It would generally be an unreasonable expectation that most customers of average education, background or experience, would have the ability to unilaterally evaluate an insurance product presented to them, and make a decision during the initial meeting with an agent.

Responsiveness to questions about the product and clear communication about both its advantages and limitations is an important part of the insurance professional’s job. There is nothing wrong with appropriately motivating a prospective customer to take action to solve his/her insurance needs. There is a long and impressive history in our company and throughout the industry that clearly demonstrates how life insurance and annuities have helped protect and sustain the financial well being of many individuals and families.

But abusive or coercive sales methods are unnecessary and will not be tolerated by Aviva. No agent should suggest, for example, that a prospective customer would be “foolish” not to purchase a particular product or create a false sense of urgency by stating that an insurance product is a “limited offer” and “you must act now.” Neither should any agent make any statements to the effect that a prospective customer’s family will be “disappointed with them” or that declining to purchase a product will result in “financial disaster.”

Competition

Aviva is committed to fair and respectful competition. Producers may not disparage or defame an insurer, its products or another producer in the course of selling or attempting to sell Aviva products. Neither may any agent misrepresent or inappropriately comment on an insurer’s financial strength. Any comparisons with other insurers’ products must be complete, balanced, and comply with the accuracy and truthfulness requirements described in the Aviva Advertising Guidelines.

Aviva believes our products can stand up favorably against those offered by our competitors. However, when comparing our products with those of our competitors, it is necessary to present fair and balanced information. Providing our current and potential customers with up-to-date, clear and accurate information are key ingredients to a successful sale. Any time an agent purposefully makes false or misleading statements about a competitor in order to sell an Aviva product, the agent is engaged in an unethical and illegal sales practice. Aviva does not tolerate this type of sales strategy. When false or misleading information about a competitor (company or agent) is used to persuade a customer to induce a purchase, it’s not only unethical and illegal - it may create skepticism in the client

generally about insurance products and producers. The entire insurance industry suffers as a whole from this activity.

As an individual agent, you can contribute to fair and balanced competition by:

- Refraining from making disparaging comments about other companies and/or agents.
- Making false or misleading statements about other companies and/or agents.
- Using up-to-date information when comparing Aviva and our competitors' products.
- Refraining from suggestion that any particular company is in financial difficulty.

Ghostwritten Materials

Aviva prohibits the use of misleading marketing materials to improperly legitimize one's credentials or background in the course of marketing and selling Aviva's products. One example of a prohibited marketing practice is the use of "ghostwritten" books, articles or other materials. A book or article is considered ghostwritten if an agent represents him/herself to be the author but has not actually substantively contributed to the writing of the material. The use of any media that misrepresents the true authorship is prohibited.

Providing third party information on insurance and financial topics is a worthy "value added" service that you can provide for customers. Keep in mind that the type of information you present should have value for the customer and not serve merely to enhance your own credentials. In those instances in which an agent is indeed the author of a book, article or newsletter, remember that such material constitutes advertising and must be submitted for prior approval by the Company.

It is acceptable to give customers newsletters and other material that you purchase from a third party vendor as long as the real author is clearly identified and there is no attribution or inference of authorship by the agent. You may acquire material that allows you to customize a piece with your own information or enables you to distribute reprints under the caption, "Provided By." That is acceptable as long as the true author's name is identified.

Misrepresentation

The most prevalent allegation made by consumers in complaints is misrepresentation of one or more provisions of the life insurance policy or annuity contract. Such allegations are typically made with respect to interest rates, strategy earnings, contract length, surrender charge schedules and death benefits, but are not limited to these topics.

Agents must provide consumers with a comprehensive description of the product during the sale. Only use materials that have been approved by Aviva as outlined in the Advertising Guidelines. When discussing any term or provision of a life insurance or annuity product with a consumer, use the Company's sales materials and disclosure documents in order to provide a complete and accurate explanation of the product. Upon delivery, review the terms and provisions of the contract and specifically discuss the "free look" opportunity. By taking these steps, you may prevent future allegations of misrepresentation.

Allegations regarding misrepresentation after the sale also occur. Be aware that information provided after the sale may lead to allegations of misrepresentation and policy owners should never be provided information that is misleading or has the potential to be misleading.

Pretext Selling

A growing concern identified by many regulators in recent years is the failure of insurance agents to clearly identify themselves as such and to deliberately camouflage the ultimate reason for contacting a prospective customer. Broadly speaking, pretext selling can be described as a sales/marketing practice by an insurance agent through which:

- The true purpose of a seminar, workshop, meeting or appointment is disguised through the use of subject matter other than insurance products, particularly in marketing materials such as lead cards and seminar invitations, and/or
- The true identity of the agent as a person engaged in the sale of life insurance products and/or annuities is not disclosed, and some alternative description is used that could mislead a consumer into believing that an agent is an “advisor,” “consultant,” “planner”, “senior specialist,” or some similar term unrelated to sales.

Types of subject matter often involved in pretext selling include:

- Living trusts
- Tax preparation
- How to Avoid Probate
- How to reduce taxes on Social Security benefits
- Medicaid planning
- VA Benefits
- Roth Conversions

Particularly where true identity and purpose are not disclosed, and personal information is obtained from a prospective customer, there are instances in which state regulatory authorities have taken action against agents, marketing organizations and companies. For example, the state of California has described a “pretextual interview” as generally where a person, in an attempt to obtain information about a consumer, does one or more of the following:

- Misrepresents the true nature of the interview;
- Pretends to be someone he or she is not;
- Pretends to represent a person he or she is not in fact representing;
- Refuses to identify himself or herself on request;
- Fails to acknowledge that he or she is in the business of selling insurance products.

If you intend on soliciting prospective clients for the sale of insurance products, you must not misrepresent the nature of your meeting. Prior to obtaining any financial information, whether in an initial telephone conversation or at a subsequent meeting, you are required to disclose that certain information gathered may be used to solicit insurance products. You should also be aware of your individual state’s requirements in this regard.

Rebating

Rebating is illegal in most states, and prohibited by Aviva regardless of state.

A rebate involves the return of value of any kind to the customer in connection with the purchase of insurance. Nothing outside the contract may be introduced into the application process as an inducement to purchase a life insurance or annuity policy. Transactions that may be considered a rebate include, but are not limited to:

- Any gift designed to induce a purchase, where the gift's value is significant in relationship to the policy's premium
- Return of commissions earned
- "Free insurance"
- Payment by the agent or agency of any premium
- Refund of premium due to persistency of policy

Anti-rebating statutes are designed to (1) prevent the creation of competitive disadvantages among insurers and producers by creating a level playing field for all insurance professionals and (2) protect insurance consumers and the public at large from unfairly discriminatory rates and practices by ensuring that an insurance policy's written terms are applied consistently to all policyholders.

Rebating vs. Promotional Gifts

States have issued bulletins for clarification on their anti-rebating laws, specifically addressing what would be considered an inducement to purchase vs. an advertising or promotional incentive.

For example, a bulletin issued by South Dakota on February 11, 2009 provided "...in general, rebates are not permissible under South Dakota law...and...generally prohibit any person or company from offering any inducement, discount, or incentive that is not specified in the policy. There is an exception under SDCL 58-33-74 whereby an agent may offer gifts to the insured, prospective insureds, or others for advertising purposes or promotional programs with an invoice value no greater than \$25." The bulletin provided sample questions as examples of what would be considered a promotional gift and/or rebating.

Keep in mind that it is your responsibility to:

- Refrain from making any offers of refunds or bonuses, which are not specifically stated in the insurance policy.
- Understand, know and abide by company policy and his/her states they hold licenses anti-rebating laws.
- Contact the applicable state Department of Insurance for clarification concerning that states restrictions around promotional gifts.

Use of "Scare Tactics"

Aviva USA understands that in the marketing of life insurance or annuity products, motivating a prospective customer to take action is a critical element in the sales process. During the sales process an agent will oftentimes utilize a combination of experience-based knowledge, creative expression via promotional and marketing material and perhaps information supplied by a third party.

As you already know, any advertising and marketing material as defined in our Advertising Guidelines that is used in conjunction with the sale or attempted sale of an Aviva product, or to create an interest in Aviva or its products, must be submitted for review. In the course of our review of advertising submissions, we sometimes discover messages, words, phrases and imagery that are inappropriate and require revision for a variety of reasons. In addition, we receive accounts from attendees at consumer-directed seminars and workshops about statements and statistical information that are either untrue

or misleading on their face, or are used in an inappropriate context. Regulators often consider such inappropriate or misleading statements and information to constitute the use of “scare tactics.” Aviva will not tolerate the use of scare tactics in the sales process.

Examples of statements that would likely be considered scare tactics by regulators include the following:

- “You know you’ll never see a dime of Social Security – it’s going bankrupt.”
- “FDIC is underfunded – your CDs are not safe.”
- “It’s not a matter of if you will run out of money, it’s just a question of when it will happen.”
- “Just look at the pension funds that have gone bankrupt. Your pension is probably worthless.”
- “Your assets will be seized when you go into a nursing home.”
- “Probate is devastating. You must avoid it at all costs.”
- “You’re going to lose 70 percent of your 401(k) and IRA money to taxes.”

Beyond specific statements, the use of statistical data, financial assumptions and quotations from third party sources should be accurate and in an appropriate context. In addition, such information should not be used to frighten a consumer into believing that their current financial products or plans are not viable or that they will result in a financial disaster. For example, we have seen several instances in which a segment of statistical data is extracted from a broader study, it is used to promote the sale of our products, and the data is either used completely out of the context created by the source or is, in fact, used in direct opposition to the intent of the study.

The use of inappropriate imagery to motivate a customer may also be considered to be a scare tactic. Depictions of financially destitute individuals such as “bag ladies” or “street bums” are totally inappropriate in promoting the sale of Aviva products. This is particularly troublesome when an inference is created by the use of such images that life insurance or annuity products are the only solution to prevent financial destitution.

Clearly, the advantages that Aviva life insurance and annuity products can provide for customers are very impressive. The combination of Aviva’s innovative product portfolio with your ability to analyze your clients needs and objectives, and to utilize your sales skills, is truly powerful. Motivating a prospect to take action may take many forms and is different from one customer to the next. But the use of misleading information, unnecessary embellishment and, in the worst case, scare tactics, is unnecessary, unprofessional and potentially damaging to Aviva and the industry. We can not and will not tolerate the use of scare tactics in the promotion of our products. Please keep in mind that your avoidance of such tactics will go a long way in enhancing your own professionalism, reducing your exposure to complaints and regulatory inquiries, and ultimately fostering stronger client relationships.

Sales to Seniors

While agents owe all their customers the same obligations and duties, the age and stage in life of the customer can influence how information presented to a client is perceived. For example, both state and federal regulators have noted that seminars aimed at retirees or those age 65 and older present unique challenges. While the spirit of many of these guidelines and requirements essentially pertain to the solicitation of any customer, agents should be particularly vigilant in providing fair and balanced sales information to seniors.

Some states have enacted laws and regulations specifically for the protection of seniors. Examples include the NAIC Senior Protection in Annuity Transactions Model Regulation and the California Disclosure Requirements for Senior Citizens. It is your responsibility to be familiar with all the laws and regulations of the states in which you do business and fulfill the requirements set forth under these Guidelines. Any recommendation for the purchase or exchange of an Aviva product must be made on the basis of reasonable grounds to believe the recommendation is suitable for the customer. Assessment of what

is “reasonable” for a given consumer is based on the information known by the agent at the time of sale. Please refer to the [Suitability Guidelines for Agents](#) for additional information regarding regulatory activity, including the NAIC Model Regulation pertaining to suitability.

SUITABILITY

Suitability - why is it so important?

- It’s about doing the right thing.
- It’s about matching the product to the customer.
- It’s about matching the sales concept to the customer.
- It’s about fostering a long-term relationship.
- It’s about being an insurance professional.
- Extensive regulatory activity/discussion.
- Frequent topic in both discussion with DOIs and in Market Conduct exams.
- Cause of considerable reputational damage to industry – companies and agents.

Suitability in Annuity Transactions Model Regulation (2006)

- Enacted in a majority of states.
- Foundation for Aviva’s Suitability Guidelines.
- There must be “reasonable grounds that recommendation is suitable for the consumer.”
- Some Model states have additional requirements.
- Non-Model states in some cases have more strict requirements.

Role of the Agent

“In recommending to a consumer the purchase of an annuity or the exchange of an annuity, the insurance producer must have reasonable grounds for believing that the recommendation is suitable for the consumer”

Under the Model, you must obtain information concerning:

- (1) consumer’s financial status/profile
- (2) consumer’s tax status
- (3) consumer’s investment objectives
- (4) any other information used or considered in making a reasonable recommendation

Role of the Company

“To ensure compliance with these regulatory requirements, an insurer must establish and maintain a system of supervision that includes maintaining written procedures and conducting periodic reviews of its records that must be reasonably designed to assist in detecting and preventing violations of the model.”

Aviva takes its responsibility under the Model regulation very seriously. In 2006, we became the first company to require a Suitability form with every application – regardless of the state in which the application was taken and regardless of the age of the applicant. In addition, Aviva established a Suitability Review Team that performs the following supervision and oversight functions:

- (1) Review information on applications in New Business.
- (2) Review information on suitability form to establish that the agent’s recommendation to the customer appears to be reasonable..
- (3) Reach out to the agent to obtain additional information required to complete the review
- (4) Contact customers by phone in select cases to confirm information on the Suitability form and/or the customers understanding of the basic features and limitations of the contract purchased.

Fundamental Suitability Considerations

- What is the client's overall financial profile (net worth, sources of income, etc)?
- What is the client's liquidity profile?
- What is the client's age?
- What are the client's current and future income needs?
- Does the client understand the transaction?
- What are the client's chief financial concerns/objectives?
- Is the product recommendation a good fit?
- Is the planning concept a good fit?
- What is the source of funds?
- If the case involves replacement, what are the upsides and the downsides of the transaction?

Key Suitability Concerns

- High percentage of net worth into annuity.
- Few or no other liquid assets.
- Unclear explanation of surrender charges / liquidity limitations.
- Comprehension of how the product works.
- Age, education, financial sophistication.
- Clear disclosure of contract limitations as well as advantages.
- Tax ramifications depending on source of funds.
- Adequate and fair comparisons in replacement situations.

Some Suitability Practice Pointers

- Realize that an annuity is not always "the cure for everything that ails you."
- Determine whether access to funds is a key objective (or not).
- Determine likelihood of client maintaining contract to maturity/death.
- Determine whether each client is an "accumulation" client, a "decumulation" client or both.
- Avoid "one-size-fits-all" recommendations (same product, same riders, same bonus level).
- Make sure that client understands any downsides (surrender charges, etc) to replacements.
- Older applicants need special handling (competency, comprehension, medical issues, financial vulnerability).
- Evaluate the current financial situation but also ask the client how it might change in future.
- Consider the participation of the client's adult children (easier to defend sale / opportunity for additional sales/referrals).
- Don't avoid client's other advisors, especially on large cases.

On March 28, 2010, the National Association of Insurance Commissioners (“NAIC”) issued a press release announcing adoption of revisions to the existing **Suitability in Annuity Transactions** Model Regulation. The revised Model aims to strengthen consumer protections in the original Model against inappropriate and abusive annuity marketing practices by, among other things:

- Expanding the type of information that must be collected in order to determine whether a product is suitable for a particular customer;
- Establishing general and product-specific training requirements for producers;
- Requiring principal review of producer recommendations to customers; and
- Clarifying that the insurer is responsible for compliance with the Model’s requirements, even if the insurer contracts with a third party to handle suitability review.

It is anticipated that the revised Model will be adopted in most, if not all, states. Aviva will provide more detailed information on the new Model Regulation in the near future including information related to the new training requirements.

How You Can Help Yourself:

- Take your suitability responsibility seriously.
- While cases may be similar, recognize that suitability is customer-focused.
- Make sure the customer understands their purchase.
- Provide accurate and complete information on both application and suitability form (if applicable).
- For larger cases or replacement cases w/substantial surrender charges, send a cover letter (tell the story).
- If you think it may be a “tough” case, contact the Compliance department/SRT to discuss in advance.
- Carefully document your recommendation and discussion w/client.
- **Sometimes you just have to walk away**

Suitability for Life Insurance Sales

Unlike the Model Regulation for Suitability in Annuity Transactions, there is no comparable regulation for life insurance sales. However, you need to understand two important points – (1) some states actually do have specific regulations that set forth suitability standards for life insurance sales, and (2) even where not covered by a specific statute or regulation on suitability, Aviva’s expectation is that all of your recommendations that you make to customers in the course of selling Aviva’s life insurance products are reasonable and based on assessment of the applicants insurance needs and overall financial objectives.

Life insurance suitability considerations generally include:

- Financial Needs and Objectives
- Amount of Coverage
- Other Insurance
- Surrender Charges
- Distinction of guaranteed vs. non-guaranteed values
- Owner, Beneficiary, Insurable Interest, IOLI/STOLI
- Net Worth, Income, Liquidity Needs, Source of Funds
- Replacement Situations – adequate comparison of existing and proposed product

Similar to the discussion in the Investment Advice section of this Guide, producers are frequently involved in conversations with customers in which questions about taxation arise. There is a broad range of contexts in which such issues are discussed. Some pose more risk than others in terms of the likelihood that the agent might be accountable for dispensing “tax advice” without the requisite qualifications, background and experience to do so. An example of this exposure can be found by examining your professional liability (E&O) policy. A typical insurance agent’s professional liability policy excludes tax advice from coverage, but generally will honor claims brought against an agent for statements about taxation that are “incidental” to the sale of a covered product.

You will note that Aviva frequently includes the following standard disclosure language, or something similar, in many of its consumer-directed materials and many of the advanced markets presentations and tools provided for its producers:

“The information that follows is intended to provide only a general discussion of the concepts contained herein and in no way should be construed as tax or legal advice. The information provided is believed to be accurate as of the date presented. Some of the concepts discussed can be complex, and for each individual will require consultation with an attorney, accountant or tax advisor as part of the planning process.”

At the same time we recognize that the discussion you have with your clients frequently includes information about the basic characteristics of life insurance and annuities. As an insurance professional you should be aware of the basic tax aspects of the products you sell and be prepared to answer the customer’s questions in that regard. For example, you know that the death proceeds of a life insurance policy are generally income tax-free and that the accumulated value of an annuity contract grows income tax deferred. There is nothing wrong with discussing such fundamental aspects of life insurance and annuity taxation with your customers. However, if you are uncertain about any of the basics in any of your interactions with customers, please contact Aviva’s Advanced Markets department for confirmation.

You also have an obligation to develop a fundamental understanding of some of the basic “tax traps” associated with planning that involves life insurance or annuity products. For example, certain ownership and beneficiary arrangements may have unanticipated tax consequences. Another example of a tax fundamental might be that incidents of ownership by the insured, in a policy on the life of the insured, will likely lead to inclusion of the death proceeds of the policy in the insured’s taxable estate. Yet another would be that a deferred annuity owned by a “non-natural person” (e.g. a corporation) will not enjoy tax deferral on the growth in the contract’s accumulated value. General knowledge of the rules within IRC Section 1035 on allowable tax-free exchanges of policies is another common area of discussion. A solid insurance professional should know these tax fundamentals and be prepared to discuss them. **But that same insurance professional should make it clear to the client that he/she is providing information about incidental tax matters, not dispensing tax advice.**

UNAUTHORIZED PRACTICE OF LAW

As an insurance professional you often perceive your role as one of providing broad assistance to your customers to enhance their financial well being. Depending upon your licenses and designations, this may extend beyond insurance product and planning recommendations to broader financial planning or advice. Even when an agent is insurance-licensed only, the agent may often find him/herself in the position of responding to various questions from a prospect or client about a wide range of financial matters. Many agents establish relationships with their clients in which they become both a trusted professional and a personal confidant. Frequently, a seasoned insurance professional may know more about a client's financial needs and objectives, even their personal hopes and aspirations, than the client's attorney, accountant or other advisor. You are in a unique position to positively impact your client's future and that of the client's family.

On the other hand, it is also important to recognize that there is considerable risk associated with exceeding your expertise. Legal matters, legal documents and legal advice should be left to licensed attorneys. Tax and accounting advice should be left to tax attorneys and accountants.

At Aviva, we encourage our agents to build relationships and work with other professionals. Developing a relationship with lawyers, CPAs, trust officers and other financial services professionals is not only appropriate but encouraged by Aviva in order to enhance the agent's professional growth and to provide a comprehensive approach to meeting a customer's financial and insurance needs and objectives. Frequently, customers look to their agents for information and/or advice regarding various financial, tax or estate planning matters. One of the key challenges posed to any insurance professional is how to provide general information within one's base of knowledge and experience, without "crossing the line" and providing professional advice or services for which the agent does not have the required professional license or the requisite training. This is particularly problematic regarding legal matters that are naturally intertwined with the placement of insurance products, as well as the planning context in which that occurs.

The **unauthorized practice of law** generally occurs when a person who is not an attorney gives legal advice or drafts legal documents that impact a person's rights. For example, this could arise in a situation where you may be discussing a person's need for insurance as part of an estate plan. To avoid the claim of unauthorized practice of law, you should keep your conversation general in nature, and ALWAYS state that you are not a lawyer and any such advice can only be given by a licensed attorney.

Below are examples of situations that could be construed to constitute be the unauthorized practice of law:

- Advising a customer that certain legal documents, (without the advice of counsel), such as a living trust or power of attorney, are appropriate legal instruments for his/her estate planning needs. Example: "Based on your situation, you need to have a revocable living trust."
- Giving advice as to his/her legal rights and responsibilities. Example: "None of these assets that you currently have are protected from lawsuits or the Medicaid Office who will seize them if they can."
- Providing advice as to the selection, drafting, or completion of legal documents which affect the legal rights of an entity or person. Example: "Every person your age needs a living will, you included."
- Explaining legal principles of wills and trusts to clients in a manner that directs them to execute specific documents or to purchase specific legal services. Example: "A will is a public document that the court and anyone else will see when you die and a living trust is a private document that works the same way. You don't want the whole world seeing how you wanted your estate distributed, do you? Therefore, a living trust is the preferred choice for people who like privacy."
- Advising a customer about the sufficiency of estate planning documents. Example: "Based on my review of your living trust and power of attorney, this all looks outdated and was done before laws changed, and I think you need to make some amendments."

- Entering into an agreement or other understanding with and/or consideration to an attorney to recommend the purchase of insurance products to your customers. Example: “Sending a customer to a lawyer whom you pay to create estate planning documents, including the situation where that lawyer also recommends the purchase of insurance products for which you are the agent, or soliciting legal work for an attorney where the attorney recommends you as the insurance agent of choice.”
- Stating or implying that you are affiliated with or acting in connection with a lawyer with whom the customer is obtaining legal advice. Example: “Suggesting that you ‘work with’ or are part of an attorney’s law firm.”
- The practice of engaging in such acts as “fee splitting” or “commission splitting,” or the act of sharing fees with professional colleagues in return for a systematic stream of referrals. Many, if not all, states view this quid-pro-quo approach as an unethical and illegal trade practice.

Living Trust Mills. In addition to the preparation of legal documents and/or providing legal or tax advice, a practice that likely meets the definition of the unauthorized practice of law, and also constitutes an unfair trade practice in most jurisdictions, is the operation of a so-called “living trust mill.” A living trust mill has a variety of definitions, but generally involves a marketing practice by an agent, sometimes working in conjunction with a licensed attorney who uses the guise of setting up or updating a living trust to entice potential customers to provide financial information when the sole or primary purpose of the contact is to solicit the sale of insurance products. This practice is unacceptable to the Company.

In recent years, marketing practices involving living trust mills or similar constructs have led to significant problems in several states, and resulted in significant fines, penalties, license revocations and litigation. California, for example, describes a living trust mill as “an unlawful marketing scheme designed to accomplish the sale of annuities that is principally used in the solicitation of senior citizens.” Therefore, this practice contains elements of **pretext selling** as described earlier in the section on Sales Practices. Typically, agents represent themselves as “estate planners” or “trust preparers” and sometimes are working in conjunction with an attorney, a group of attorneys, a legal document preparation service provider or a prepaid legal services firm. Usually there is no indication to the consumer of the actual business of the sales representative or the true purpose of the solicitation. The use of seminars purported to educate attendees on the advantages of living trusts or other estate planning devices is also a frequent characteristic of this form of marketing. Such a practice is unacceptable to Aviva.

State bars and state attorneys general in a number of jurisdictions have concluded such resulting in a deceptive trade practice and the unauthorized practice of law. In several instances, agents, marketing organizations and carriers have been fined, enjoined, forced to make restitution and lost their authority to conduct business.

UPL Reminders. In order to ensure an agent does not participate in the unauthorized practice of law he/she should refrain from:

- Offering of any legal advice and/or prepare any legal instruments.
- Holding themselves out to be experts in estate planning.
- Providing legal advice to convince customers that certain legal documents, such as a living trust or power of attorney, might be good options for their estate planning needs.
- Providing advice as to legal rights and responsibilities.
- Providing advice as to the selection, drafting, or completion of legal documents which affect the legal rights of an entity or person.
- Inducing customers to make decisions about the disposition of his or her estate based on information about a state's probate system.
- Explaining legal principles of wills and trusts to customers in a manner that directs the customers to choose certain estate planning documents.
- Providing recommendations based on the sufficiency or propriety of estate planning documents.
- Referring to yourself as an "estate planner," "trust specialist" or some similar description.
- Refrain from advising customers that life insurance and annuities are exempt from judgment creditors or making presumptive statements in that regard. While that may be true in some jurisdictions, state exemption statutes are complex, vary widely from state to state, and often require legal interpretation."



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