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## An Introductory Note to Our Valued Producers

Athene recognizes and appreciates the many contributions that you make to our success and the growth of the company. Our individual producers and sales organizations are a key part of our past accomplishments and future aspirations. 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, their families and businesses.

We want to do everything we can to help you achieve and sustain success in the course of selling our products and servicing customers. 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. Athene is committed to helping you do just that by assisting you in understanding legal and regulatory requirements.

In an era of increased regulatory scrutiny of producers and companies, it is critical that you are aware of the rules and regulations that affect your business. After all, your compliance with all of the requirements of the states in which you do business is a key component of a successful insurance career. To that end, Athene makes you an ongoing commitment – to establish clear guidelines for the conduct of your business with us. Please read and understand this Guide, as well as all field bulletins and notices published by Athene and keep this Guide in a convenient location for your reference.

If you have any questions, now or in the course of your business relationship with us, please do not hesitate to contact either of the undersigned.

Thank you for all you do for Athene.



**Chris Grady**  
Executive Vice President, Retail  
Athene USA & its Insurance Companies



**Megan Claypool**  
SVP, Chief Compliance Officer  
Athene USA & its Insurance Companies

## Overview and Purpose

The Doing Business with Athene Producer Guide was created to assist you in understanding important guidelines and procedures related to sales practices, market conduct and compliance issues, and to help you develop a best practices approach to your business activities. In order to fairly and effectively conduct business with customers, Athene producers must have a thorough knowledge and understanding of Athene's positions and guidelines, as well as the applicable laws and regulations of the states in which you solicit business.

Every insurance company is presented with the same fundamental challenges of successfully growing its business – achieving customer satisfaction and loyalty, and developing and maintaining effective distribution systems for its products while complying with the regulatory regimes of all states in which it operates. Athene has made a commitment to its customers to offer annuity products that provide value and versatility over a long period of time. To further these goals, Athene wants to equip its producers with a basic foundation for good market conduct by providing information in the areas of insurance regulation, and our Company positions and requirements.

You have a highly worthy profession. Athene recognizes the business of selling and servicing annuity products is both very challenging and very rewarding. Long-term success in the business is achievable only through dedication to your customers, respect for your industry, and a fundamental understanding of annuity products and what constitutes acceptable market conduct in the eyes of regulators and the companies you represent.

Athene 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 your reputation as well as Athene's. The guidelines and positions described in this Guide reflect the goals and values of Athene.

These guidelines are intended to help you become familiar with Athene's compliance rules and standards, and set forth the standards that you have committed to follow under the terms of your Contract with Athene.

**Note:** Throughout this Guide, you will see that we have used the terms "producer," "insurance producer," and "insurance professional" somewhat interchangeably for the sake of convenience and readability. We also refer to Athene alternatively as "Athene USA" and "the Company."

## Ethics

Athene places importance on conducting business in a legal, fair, honest and ethical manner. The Company's executive management and directors realize we are not only responsible for our own actions but for fostering a culture that reinforces our commitment to integrity and compliance with the law and Company policies. Athene's Code of Business Conduct & Ethics has been adopted as part of our broader overall ethics and compliance program to promote honest, ethical and lawful conduct across all levels and areas of our organization, and applies to all directors, officers and employees. We also expect our producers, acting on behalf of the Company wherever they may be located, to adhere to our high ethical business standards.

## Responsible marketing

Athene's commitment to responsible marketing reflects our core values and ethical culture as well as plays an integral role in building and maintaining a relationship of trust with our customers. Throughout every marketing stage, Athene strives to design and distribute marketing, product, and pricing information that is accurate, understandable, comprehensive, and balanced. Athene's commitment to transparency is emphasized in all aspects of marketing through clear and accurate pricing, disclosed product risks, and prompt notification of any denied application. Certain regulations and scenarios require Athene to maintain disclosures within our marketing materials. In order to help maximize transparency, all disclosures are size 10-point font or larger, effectively eliminating the use of small print within our materials. It is our legal and ethical responsibility to protect customers from fraudulent and misleading marketing practices. Athene recognizes this duty and works diligently to reinforce our commitment to social and ethical values through responsible marketing strategies.

## Advertising

Advertising in the insurance industry is heavily regulated, primarily by the states. The marketing, advertising and sale of annuity products have become the subject of heightened regulatory scrutiny in recent years. Most, if not all, of your communications in the regular course of selling annuity products are included in the regulatory definition of advertising. When improper or unapproved advertising is used, it may result in damage to your reputation as well as Athene's. It can also become a negative reflection on our industry and may result in complaints to the company and/or insurance departments. When advertising violations are seen as part of a trend across multiple producers and/or companies, marketing restrictions and intensified regulation often result.

Athene's Advertising Guidelines (Guidelines), available on the Company's producer website, are derived to a large extent from the National Association of Insurance Commissioners (NAIC) Advertisements of Life Insurance and Annuities Model Regulation (Model), applicable federal law, as well as the Company's own best practices approach for the review of advertising that is based on interaction with customers, regulators and producers over many years.

**Note:** All of our insurance producers and sales organizations must read, and are required to follow, the [Athene Advertising Guidelines](#). These guidelines contain valuable information and instructions on how to submit your advertising material for review. If you have questions regarding the appropriateness of certain language or require assistance for formulating acceptable language, please contact the Athene Advertising Review Team at [adreview@athene.com](mailto:adreview@athene.com).

Though the Model has been adopted as the law in a majority of states, many states have their own unique regulations pertaining to advertising. The federal government has also passed laws which further regulate commercial correspondence. Insurance advertising is closely regulated with frequent changes, clarifications and bulletins issued by state departments of insurance. While Athene may provide updates based on changes in the law or new bulletins, it is your responsibility as a licensed insurance producer to know the applicable advertising rules in the state(s) in which you do business. It's also important to keep the following key points in mind when developing advertising and marketing material:

## 1. Broad Definition of Advertising

For the purpose of the Guidelines, advertising is defined as any material designed to create public interest in Athene (or any affiliated company), its products, or any material designed to induce the public to purchase, increase, modify, surrender, borrow on, reinstate or retain a policy of an Athene company, even if the communication advertises a product or promotion which is otherwise free. The definition of advertising under both the Model and state laws includes materials that are designed to create public interest in any insurance product (even if not specifically identified by company). This means that some of the materials that you create are advertising as defined by state law even though they may not fall within the specific scope of the Guidelines. You are responsible for making sure those pieces are compliant with state insurance regulations.

## 2. Advertising Material that References Athene, Describes an Athene Product, or may Lead to the Sale of an Athene Product

This advertising must be submitted to the Advertising Review Team for approval. Even if you make reference to features of an Athene annuity product, but don't explicitly state the product name or our company name, Athene must approve the advertisement before its use.

## 3. Accuracy and Truthfulness

No advertising material used by Athene producers may contain information that is untrue, misleading or deceptive, nor may any advertisement omit material information where such omission would tend to misrepresent the product or concept advertised. Note that this is based on the overall impression created by the piece and disclosure may not be sufficient to overcome a tendency to mislead.

## 4. Identity of Producer, Purpose of Contact

For any "first-point-of-contact" material such as lead cards, prospecting letters and seminar invitations, the identity of the producer as a "licensed insurance producer," "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 annuities. Use of the term "advisor" is not appropriate for an insurance producer without a securities registration. It's also important to note that some states actually require specific language describing producer identity, and several require identification by insurance license number (e.g., California and Arkansas). There are also several states that require a reference to "insurance sales presentation" (e.g. Illinois and Texas) when inviting a prospect to a seminar or other similar setting. The bottom line is that when receiving a lead generating piece, it must be clear to the recipient that the meeting is with an insurance producer and that the meeting is part of the insurance sales process.

## 5. Identity of Athene or Products

For advertisements that refer to Athene or its specific products or product features, the Model requires that the issuing company's full name and home office location are prominently displayed. It also requires that the full product name, product type and form number are referenced.

## 6. Disclosures

Athene's Advertising Review Team maintains general rules and examples, prohibitions, state-specific rules and requirements available to you on our producer website to assist you in constructing compliant advertising and marketing material. Whenever products or product features are discussed, any limitations or conditions must be disclosed as appropriate.

### 7. Content Specific to Electronic Correspondence

In addition to applicable state regulations, federal regulations can result in hefty fines if email correspondence is not issued correctly. Federal law classifies emails as commercial, transactional or relationship, and other, and the primary purpose of the email dictates the classification. Commercial emails (advertising and promotional) fall under the most scrutiny. Any email which would be considered commercial constitutes advertising under Athene's Advertising Guidelines. Athene's approval process will assist in ensuring compliance. Notwithstanding, producers are responsible for the contents of their own correspondence. In general, commercial emails must use clear and conspicuous identification information, provide a good physical address, disclose status as an advertisement, and must provide an opt-out feature for the recipient.

## Telephone and Video Solicitation

Athene has guidelines to ensure you conduct telephone and video ("virtual") sales in a compliant fashion. Athene accepts applications solicited via telephone and video platforms ("virtual") made in accordance with the guidelines. All solicitation, sales, and "In Good Order" policies, as well as applicable laws and regulation, apply to virtual sales and solicitation. Highlights of these guidelines include:

- Cold calling using Telephone and Video solicitation is not allowed.
- Producers must have the correct insurance producer license, training and appointments in all states where Telephone and Video Platform solicitation or sales processes occur.
- A customer must be present in his/her resident state during the solicitation, sale, application signing and policy delivery. The application must be signed by the customer in his/her resident state. Non-resident sales will NOT be accepted.
- Producers must use a private location while using Telephone or Video Platforms to maintain the confidentiality of customer Personally Identifiable Information ("PII").
- If using paper forms, make certain the customer has had the opportunity to examine the completed application before signing; A customer may not sign the application before it is 100% completed. Once signed, customers must send all documents to the producer for the producer's signature. Producers should never sign an application or any related forms before the customer signs them.
- The producer should make a record of each meeting held with a customer via Telephone or Video Platform, noting the date and time, whether anyone else participated in the meeting, subject matter and materials that were discussed at the meeting.
- If there are delays or interruptions in service, or any other type of technical difficulty, the producer should contact the customer to re-schedule the meeting or conduct the meeting in person.
- Electronic delivery of policies is prohibited by the producer. Customers may, however, request electronic delivery from Athene. Policy delivery receipt requirements are unchanged. Please refer to the [guidelines](#) (52269) for complete information.

## Standard of Care

The Company places a high importance on meeting the needs of its customers through appropriate annuity sales that comply with the applicable standard of care. Meeting these expectations begins with your recommendation of an appropriate product.

All recommendations for the purchase or exchange of an annuity product should be appropriate for the customer based on information known by you at the time the recommendation is made. Prior to making a recommendation, you should make a reasonable effort to obtain relevant information from the customer regarding his or her insurance needs and financial objectives. If you determine that the purchase or exchange of an annuity product would not assist the customer in meeting his or her insurance needs and financial objectives, the annuity should not be recommended. Outside of New York, the applicable standard of care may be based on the 2010 NAIC Model Regulation or the 2020 NAIC Model Regulation. Athene's guidance below is based on 2010 NAIC Model Regulation and the 2020 NAIC Model Regulation. However, each state may have adopted additional or different requirements from the NAIC model rules. You are responsible for knowing the requirements of the standard of care regime as adopted in the states in which you are licensed.

In addition to the information below, Athene also provides helpful information found on [Athene Connect](#), the Company's producer website. For best interest and suitability considerations for New York applications, please refer to the section entitled Key Requirements for Athene Annuity & Life Assurance Company of New York.

### Customer Identification and Suitability Confirmation Worksheet

When you submit a new application package, Athene requires the submission of the [Customer Identification and Suitability Confirmation Worksheet](#) (form 17341). The form is an information gathering tool that documents the customer's information provided to you, as required by state regulations and must be completed with the customer at the point of sale. It must be accurate, complete and signed by both you and the customer to affirm the purchase is appropriate based on the customer's insurance needs and financial objectives. For applications signed in Florida and New York, Athene requires submission of the state specific forms.

**Note:** Your sales organization may require different suitability forms. Please check with your back office to ensure the proper forms are being utilized.

### Product Comparison Worksheet

If your recommendation involves the replacement of another annuity or life insurance product, you will be required to complete and submit a Product Comparison Worksheet (PCW). It is a side-by-side form that compares key product information of the annuity being purchased and the product being replaced. In addition, the reason for the replacement should be personalized for each customer to show how the new annuity benefits and features will better meet their needs than the existing product. We encourage the producer to provide a copy of a recent statement of value of the replaced annuity or life insurance policy with the PCW. Our Standards Review Team (SRT) may contact you to obtain additional information in order to complete our review. For applications signed in Florida, Athene requires the submission of the Disclosure and Comparison of Annuity Contracts.

**Note:** Your sales organization may have different requirements for reviewing replacements. Please check with your back office to ensure the proper forms are being utilized.

## Role of the Producer

You must know the requirements of the applicable standard of care as adopted in the state in which you are soliciting an annuity application. Athene expects you to take these obligations very seriously. Failure to comply with any applicable laws and regulations, may result in termination of the relationship between you and the Company.

## 2010 NAIC Model Regulation

To satisfy the requirements of the 2010 NAIC Model Regulation, you must:

*Determine the customer's financial situation and goals*

1. Obtain information on the customer's personal situation, such as age, employment and tax status.
2. Gather information on current finances including income, net worth and expenses.
3. Discuss financial goals and future needs.
4. Discuss investment and insurance orientation and risk tolerance.
5. Understand the source of funds (CD, another insurance product, investments, etc.) for purchasing the new annuity.
6. If a customer refuses to provide information requested on Athene's [Customer Identification and Suitability Confirmation Worksheet](#), discuss with them why Athene is requesting this information. It's important for Athene to get complete and accurate information to make sure we are reviewing each application and ensuring appropriate documentation exists to support the recommended sale. This information could include, but is not limited to, personal situation, financial information/status, financial objectives, source of funds, etc. If a customer still refuses to provide the requested information, Athene will be unable to accept the application.

*Review the types of insurance products available*

1. Carefully choose the appropriate product(s) and the appropriate dollar amount(s) to place in any product(s) selected.
2. Explain why these products meet the customer's objectives.
3. Make sure all recommendations correspond with suitability standards and the customer clearly understands the product's features and benefits and any charges associated with the product.

*Keep documentation*

Athene producers should know applicable state requirements concerning record keeping. Even if a state does not have specific requirements, producers are expected to maintain customer files, which at the very least include:

1. Suitability information provided by the customer and the basis for the producer's recommendation, including any fact finders. The producer must recommend the purchase of the annuity to the customer. Athene will not accept an application where the producer did not recommend the purchase of the annuity to the customer. Regulators have indicated a preference for documentation beyond the Company's suitability form.
2. A copy of the application, signed point-of-sale disclosures, replacement form (if applicable), policy delivery receipt, all marketing materials and any notes, correspondence or complaints.
3. All references to product and product features presented, materials provided and disclosures signed.
4. Documentation of the basis for recommending or not recommending an annuity.



*Guidelines also state that producers must:*

1. Be prepared to explain how the product purchase was handled and why the particular product or products were selected.
2. In the case of a replacement, be able to demonstrate that the new annuity purchase was in the customer's best interest, and applicable surrender charges, fees and loss of benefits were taken into consideration.
3. Retain documentation in permanent customer files in an organized, easily retrievable manner. Be prepared to provide copies of these documents to the Company in a timely manner if requested. If you are interested in retaining your customer documents electronically, you should check the requirements of your state.

**Note:** The Company may request customer files in reviewing complaint cases, if reviewing a producer's block of business, or in the normal course of business. Athene maintains copies of customer policy files for 7 years after policy termination and cancellation.

## **2020 NAIC Model Regulation**

To satisfy the requirements of the 2020 NAIC Model Regulation, you must act in the best interest of the customer when making a recommendation of an annuity without putting your or the insurer's financial interest ahead of the customer.

To act in the best interest of the customer, you must satisfy the following obligations, in addition to those already identified above for the 2010 NAIC Model Regulation:

*Care Obligation:*

1. Have a reasonable basis to believe the recommended option effectively addresses the customer's financial situation, insurance needs and financial objectives over the life of the product, as evaluated in light of the customer profile information. New information specifically identified within the customer profile information which was not previously a part of the 2010 NAIC Model Regulation includes customer debts and obligations and willingness to accept non-guaranteed elements of the annuity.
2. Communicate the basis or bases of the recommendation. This can be done either verbally or in writing.
3. If recommending a replacement, the replacement must substantially benefit the customer in comparison to the replaced product over the life of the product. A producer should be prepared to show the substantial benefit to the customer, especially in light of any surrender charges, loss of benefits, and fees or miscellaneous charges.

*Disclosure Obligation:*

The regulation creates a disclosure form entitled Appendix A. Appendix A is required to contain the following information:

- A description of the scope and terms of the relationship between the customer and the producer in the transaction.
- An affirmative statement on whether the producer is licensed and authorized to sell a specific type of product.
- A statement identifying the insurers that the producer is authorized, contracted, approved, or otherwise able to sell products for.
- A description of the sources and types of compensation the producer will receive.
- A notice to the customer regarding his or her right to request additional information regarding the producer's compensation.

**Note:** Athene requires the submission of this form along with the [Customer Identification and Suitability Confirmation Worksheet](#). Upon request, producers are required to disclose information about cash compensation received for the annuity sale to the customer.

*Conflict of Interest Obligation:*

A producer shall identify and avoid, or reasonably manage and disclose, material conflicts of interest including material conflicts of interest related to an ownership interest.

*Documentation Obligation:*

Producers are required to make a written record of any recommendation, and the basis for the recommendation, which will be subject to collection and oversight by Athene or regulatory bodies.

**Note:** These requirements apply to any producer who has exercised material control or influence in making a recommendation and has received direct compensation as the result of a recommendation or sale, regardless of whether the producer has had any direct contact with the customer.

## Role of the Company

Athene will maintain and enforce policies and procedures to reasonably ensure compliance with the applicable standard of care, including a system for monitoring sales and marketing practices of its appointed producers.

## Standard of Care Review Call Program

To ensure that annuity sales are appropriate, Athene has a long-standing program to call certain customers to discuss their annuity purchase. This program allows us to have a brief conversation with our customers to be certain that key aspects of the annuity are understood. If applicable, this call must be completed prior to issuing an Athene annuity.

Athene calls all customers who meet one or more of the following criteria:

- The applicant is age 75 and over
- The applicant has applied for an internal replacement (an application funded by an existing Athene annuity contract or life insurance policy)

In addition, Athene will also call randomly selected customers. The features we will discuss include, but are not limited to, the following:

- The Withdrawal Charge Period for the product being purchased.
- Free withdrawal provision.
- Depending on the product purchased, other features and charges may be discussed.

We've created a [document](#) (form 21841) to help ensure that your customers are aware that Athene may be contacting them and why. We encourage you to provide a copy of this document to all customers after soliciting an application.

## Sales to Seniors

While producers 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 customer 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. For producers, sales to seniors pose unique risks and utmost care

must be taken to comply with all applicable regulations and Company policies. While the spirit of many of the Guidelines and requirements pertain to the solicitation of any customer, producers should be particularly vigilant in providing fair and balanced sales information to seniors.

**Note:** Some states have enacted laws and regulations specifically for the protection of seniors. 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 this Guide.

### Training

Standard of Care regulations generally have training requirements contained within the regulations. Understanding the standard of care requirements and the specific of an annuity product will ensure you make compliant sales.

Prior to soliciting an Athene application, all producers are required to complete a one-time four-hour CE training course on suitability in those states that have adopted the regulation. In addition, Athene requires product specific training in all states prior to soliciting an application, even if that state's regulations do not require product training.

## Education and Training

Athene recognizes the importance of each producer's commitment to education and training as a key ingredient in achieving and sustaining your success as an insurance professional. In recent years, some states have enacted additional requirements for producers beyond the basic continuing education requirements, including mandatory training on certain categories of insurance, as well as specific training on market conduct subjects, such as suitability. As new requirements evolve, Athene will continue to notify its producers of their specific duties for the completion of such training. However, please understand that it is your obligation to be aware of and follow all state specific training requirements that apply to you and the licenses you hold.

Athene also strongly encourages its insurance producers to seek professional education and training opportunities offered through traditional financial services educational institutions. 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.

## Professional Designations

We fully support your continuing education efforts as this commitment benefits your customers, the companies with whom you do business and the industry. However, in recent years, the number of designations that are used by individuals and groups engaged in the sale of annuity products has increased substantially. It can be very difficult for both companies and customers to determine the level of education, training or expertise that a given designation appears to represent. 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, Athene maintains a [list of approved and prohibited designations](#) (available on Athene Connect under Rules & Guidelines > Legal & Compliance > Advertising Guidelines > Professional Designations). This list is periodically updated, and you should not assume that a designation will be either permitted or prohibited forever. You should check this list periodically to make sure any designation you use continues to be permitted. **Unless a designation is on the approved list, it**

cannot be used in conjunction with the marketing and sale of Athene 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 Athene or any other carrier allows the designation to be used.

## Producer Licensing

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 must be familiar with the requirements of each state in which you intend to conduct business.

You are authorized to solicit only those insurance products that have been approved for sale by the applicable state insurance authority, and for which you are properly licensed and authorized to sell. State laws and requirements change frequently, and you have a professional obligation to ensure that you stay current with state rules and regulations concerning such subjects as training, continuing education, suitability requirements, replacements and various sales practices. If you are licensed in multiple states, keeping track of this information can be a considerable challenge. Although Athene spends significant time and effort keeping its producers informed, it is ultimately your responsibility to understand your obligations under your insurance license(s).

**Note:** After becoming appointed with Athene, you must self-report to our Legal and Compliance department any new and/or updated adverse actions against you within five days of their occurrence. This includes any lawsuits in which you are named as a Defendant, as well as any regulatory actions against you. In addition, you agree to notify the Company of any change in licensing status (suspension, revocation, termination) immediately after notification from the state. Notifications to the Legal and Compliance department can be faxed to its attention at (877) 522-5025. Regardless of whether or not the action involves the sale of an Athene product, you should contact your E&O carrier immediately to report a claim.

### Licensing and Appointment

A number of states authorize solicitation prior to the final approval of appointment, but they do so under strictly enforced rules regarding the timing of the producer's appointment and/or the submission of the first application to the Company. In addition to the requirements for appointment, there may be additional requirements that apply prior to solicitation, including completing Athene's product training. **Under no circumstances are you authorized to solicit applications on behalf of Athene in any state that does not allow solicitation prior to appointment until you have obtained an official date of appointment from the state.**

Every producer appointed to represent Athene agrees that, on an ongoing basis:

- 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.
- Applicable state continuing education requirements are completed in a timely manner.
- Licenses are renewed as required. We may require you to send a copy of the renewed license to the Company.

- Producers are required to maintain Errors and Omissions (E&O) insurance coverage at all times with policy limits of at least \$1,000,000 per claim/\$1,000,000 annual aggregate, or such other limits as we may require from time to time. You must also provide us with satisfactory evidence of such E&O coverage as we may require from time to time. Failure to maintain E&O coverage may result in the suspension or termination of your contract.
- Notification is immediately sent to the Company if there is any litigation or regulatory action taken against you including, but not limited to, 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 producer is responsible for insuring such persons also comply with these guidelines.
- Any commission or other compensation may not be split or shared with an unlicensed person or entity.
- The Company does not permit rebating. A producer may not give the customer anything of value to induce the sale of a Company product.
- Under no circumstance may an Athene producer act as a "surrogate" for a non-licensed or non-appointed producer. That means: If an Athene producer signs the application as the producer of record, he or she must have been the producer who met with the customer or solicited the application. No exceptions.
- You must not list your personal or business address as the address of record on any Athene application other than one owned by yourself or a close family member. In addition, Athene will not accept a change of a customer's address to the personal or business address of the producer, and we monitor customer address changes for this activity.

**Note:** Commissions, including renewals and trails, will not be paid on business written in the following states unless there is an active license in that state: Alabama, Florida, Georgia, Mississippi, South Carolina, Virginia, or West Virginia. This condition applies to all parties in the hierarchy, including assignees. Failure to obtain a license within six months of the date compensation is otherwise payable will result in forfeiture of the compensation. If the initial licensing requirement is met, the restriction does not apply to future compensation resulting from the initial sale. This restriction was imposed by the regulatory authorities for the above listed states.

### General Solicitation Guidelines

Athene is committed to a needs-based selling approach to enhance the effectiveness of its producers in fulfilling the needs and objectives of our customers. Here are some basic reminders on the appropriate solicitation of Athene customers:

- Do not solicit an annuity contract in a state in which the Company has not yet released the product for sale (see below for a discussion of non-resident sales issues).
- 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 the required suitability information from the customer to assist in making appropriate and lawful recommendations.
- Use only Company approved advertisements, sales literature and illustration materials.
- Fairly, clearly and fully explain the annuity contract being recommended.

### Errors and Omissions Coverage

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

Athene always requires its producers to demonstrate and maintain errors and omissions (E&O) insurance coverage with policy limits of at least \$1,000,000 per claim/\$1,000,00 annual aggregate. Athene may require producers provide us with satisfactory evidence of E&O coverage. In addition, producers must provide us with notification within ten days of any cancellation, change of policy provisions or carrier, or other termination of such E&O coverage. Failure to maintain E&O coverage may lead to the termination of a producer's contract with Athene.

In the event that a claim is presented, or any action or suit is commenced against you, your E&O carrier should be notified within 24 hours of your receipt of the information. You are responsible for making this notification. Additionally, you should give your E&O carrier prompt notice of any proceeding, event or development that you believe might result in a claim against you.

### For Marketing Organizations, Banks and Broker Dealers

As a general producer, marketing organization, bank or broker dealer, you may recommend producers to the Company for appointment to sell covered products. No recommendation for appointment or application or contract will be effective until approved by the Company. Subject to our acceptance, you may designate producers on whose production you are to receive compensation from the Company. You agree that you are responsible for the acts and omissions of your employees.

We require you to agree to supervise your producers and employees to ensure that they adhere to the standards of conduct set forth in this document. You must agree to train your producers and employees to ensure that they become fully informed as to the provisions and benefits of the products they are authorized to sell, that they represent those products adequately and fairly to prospective customers, that they comply with applicable law, and that they follow the Company's rules and procedures with respect to the Company's business.

### Complaints

Athene wants to continue to be an industry leader in innovative, high-quality products placed through professional, well-trained producers and offer excellent customer service after the sale. However, in spite of our collective efforts to do so, policy owners are not always satisfied with their experience as an Athene 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.

#### **Definition of a Complaint**

A complaint is defined by Athene as a written communication primarily expressing a grievance.

## Sources of a Complaint

- Athene annuity contract owner;
- Beneficiary of an Athene annuity contract;
- Family member of an Athene customer;
- Regulatory body on behalf of an Athene customer; and/or
- Attorney or other authorized individual on behalf of an Athene customer.

## Complaint Procedure and Process

If a producer or any organization appointed by or representing Athene receives a complaint directly, it should immediately be forwarded to the Compliance Department's Customer Resolution Team (CRT). **It is essential that you understand that it is inappropriate, unacceptable and against Company policy for anyone, including the producer, to initiate any discussion of settlement of a complaint without first consulting with and obtaining the permission of Athene's Compliance Department.** CRT handles the process of responding to all complaints, regardless of where or from whom they originated. You may forward any complaint received to the CRT via email at: [customerresolutionteam@athene.com](mailto:customerresolutionteam@athene.com).

In the event a complaint is received, Athene promptly notifies the writing producer. In most instances, Athene will require a written response from the producer to the complaint, along with all sales materials utilized in the sales process, within five business days (or less depending upon state timing requirements) of the request. Failure to respond to a request for a producer statement on a complaint is considered a serious matter and may result in a Company review of the producer's appointment status. This is the primary opportunity for a producer 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. Regardless of whether or not a complaint or action involves the sale of an Athene product, you should contact your E&O carrier immediately to report a claim.

**Neither the producer nor his or her hierarchy should contact the complainant or policy owner during the complaint process unless authorized by the CRT.**

Because the facts and circumstances of each complaint are unique, a case-by-case analysis is necessary to determine the appropriate action. The CRT will assess the information provided by both the customer and the producer, and then determine an appropriate course of action, if any.

## Confidentiality of Customer Information

Protecting the privacy of our customers' information is not only the law, but a critical aspect of providing good customer service and earning the trust of our customers. With society's increasing dependence upon data, the focus on privacy of customer data is an area that continues to develop and grow.

We are required to follow both federal and state privacy laws. In 1999, Congress passed the Gramm-Leach-Bliley Act (GLBA) which provides guidelines as to how to protect customers when gathering and using **Non-Public Personal Information** in selling and servicing financial service products, including annuities. All fifty states plus the District of Columbia, Guam, Puerto Rico and the Virgin Islands have enacted legislation requiring private or governmental entities to notify individuals of security breaches of information involving Non-Public Personal Information. This area of state law continues to change given high-profile security breaches in major companies. You are responsible for monitoring the laws of your state to determine your obligations with respect to the information you gather.



**Non-Public Personal Information** generally refers to information collected which is not available to the general public. Information could include, but is not limited to:

- Contract values
- Contract numbers
- Social Security Number
- Type of policy purchased
- Financial or medical information
- Beneficiary information
- Passwords, Personal Identification Numbers, personal identifiers
- Individual Taxpayer Identification Number

Customers have the right to expect that their non-public personal information will be protected from unauthorized use. Athene is committed to protecting the confidentiality and integrity of your customer's personal, non-public information. Likewise, you have the following fundamental obligations to your customers and customers:

- Producers are obligated to protect non-public personal information of Athene's customers in accordance with federal and state laws, Athene's Privacy Policy and Guidelines, available on our producer website, and with the terms of their appointment with Athene.
- Producers are required to protect customers' information and implement controls to ensure the confidentiality and security of customer information is not compromised.
- Documents, desktop and laptop computers, tablets, and additional resources used to store non-public personal information must be kept secure at all times.
- Producers should consult a legal advisor to determine if the producer has additional obligations with respect to his or her business and relationships outside of his or her relationship with Athene.
- Any breach or suspected breach of Athene customers' personal information must be reported to Athene immediately. State regulations vary, so reporting as soon as a breach or suspected breach is known will help ensure your compliance.

## Seniors and Vulnerable Adults

On May 24, 2018, the Senior Safe Act was signed into law. The Senior Safe Act does not mandate any action by financial institutions. The Senior Safe Act does provide immunity for financial institutions and certain eligible employees, affiliated persons, and associated persons from liability in any civil or administrative proceeding for reporting potential exploitation of a senior citizen.

The Senior Safe Act protects "covered financial institutions" (Athene) and their eligible employees (insurance producers) from liability in any civil or administrative proceeding in instances where an insurance producer (or employee) reports the potential exploitation of a senior citizen (defined as not younger than 65 years).

The immunity established by the Senior Safe Act is provided on the condition that employees receive training on how to identify and report exploitative activity against seniors before making a report, and the reports of suspected exploitation are made "in good faith" and "with reasonable care."

The Prevention and Detection on Financial Exploitation training has been made available to you via Athene Connect. You may view this training under the Anti-Fraud section located under Legal & Compliance/Financial Exploitations.



To report the suspected exploitation of a senior citizen to Athene, complete the [Request for Compliance Review Form](#) (16751) and electronically mail the form to Athene's Compliance Department.

## Conflicts of Interest

It is vitally important for producers 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 act in the best interest of the customer and not your own when selling annuity products, some producers fail to recognize how important it is to avoid both apparent and potential conflicts of interest. With respect to transactions involving Athene customers, producers should keep in mind the following points:

- You must not be or become the owner of a contract other than one based on 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 contract other than one purchased and/or owned by you or a close family member.
- You must not be named a conservator of an Athene customer other than a close family member.
- You must not be or become a collateral assignee of a contract owned by anyone other than a close family member.
- You must not be or become the trustee of a trust that owns or benefits from a 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.
- Athene strongly discourages producers from either being named as a witness to a trust or notarizing a trust document to help avoid even the appearance of a conflict of interest.

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

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

- Lending money to or 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.

Engaging in any such activities will result in possible termination of your Athene appointment, and it may 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 Athene 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 Athene maintains on its producer website information 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.

Producers are not permitted under any circumstances to sign a customer's name on the customer's behalf; even at their direction (this includes initials). Producers also may not cut a customer's signature from an existing document and paste it to a new document. Signing a customer's name on any form or cutting and pasting a signature will subject the producer to potential disciplinary action by the Company, up to and including termination. Forgery is a criminal offense and carries severe consequences, not only from Athene, but from regulatory authorities as well.

**Neither producers nor their staff is permitted under any circumstance to call, write, or electronically mail the Home Office and falsely represent that they are the contract owner. Such action will subject the producer to disciplinary action by the Company, up to and including termination.**

## Investment Advice/Source of Funds

Athene understands that there are producers appointed with our company that are licensed to sell securities and/or provide investment advice to customers, but some are not. If you do not have the appropriate registration, you are prohibited from providing investment advice to existing or prospective Athene customers – both by Athene and by law. Regardless of your licensing or registration, please be aware that Athene prohibits the assessment of a fee related to the servicing of any Athene insurance products. No fee may be charged for any of the services for which you receive a commission.

Whether a producer is providing investment advice that requires registration depends on the facts and circumstances of the situation, but if you are not licensed to discuss securities or provide investment advice, then the following activities are not permitted:

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

**You are responsible for being aware of, and abiding by, all the laws of the state(s) in which you conduct business, regardless of whether those laws derive from insurance regulation, securities regulation, unfair trade practice statutes or other regulatory authority.**

**Here's a tip:** Regardless of the jurisdiction, if you are not securities licensed and 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 must make it abundantly clear to the customer 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.

## Mortgage Related Purchases of Annuities

Athene will not accept any applications that involve the funding of an annuity through a mortgage related transaction on a principal residence. This rule applies to all annuity products offered by any Athene company. This includes using home equity through the use of mortgages, reverse mortgages, or home equity loans to purchase an annuity; replacing existing mortgages with the assumption that future withdrawals from the annuity will cover mortgage payments, or any refinancing of mortgages with the intention of using the proceeds to purchase an annuity.

## New Business

### Taking Applications

In order to ensure your cases are submitted in good order, review the following critical points which apply to all Athene product applications:

- Ensure the information provided by the applicant is complete and correctly recorded.
- Explain what constitutes a replacement before asking the applicant if a replacement is involved. If replacement is involved, follow the applicable procedures and disclosure requirements before proceeding with the application.
- Provide the Annuity Buyer's Guide with or before taking the application.
- Ask the applicant to carefully review the application before signing.
- Make sure to record the actual date and location where the application is signed.
- Never alter or amend any documents obtained unless the applicant initials any changes written on the application. Do not use correction fluid or tape (e.g. white out) to cover previously recorded information.
- Never ask or permit an applicant to sign a blank or incomplete application or form.
- Always record the name and producer code of the producer who takes the application and witnesses the signatures of the customer(s).
- Promptly submit all applicable documents in full to the Company. Note: Remember that the submission of some documents and information is time-sensitive and you need to be aware of state-specific rules and requirements in that regard.
- Complete any additional state-specific point-of-sale forms that may be required.

### Handling Customer Funds

Initial premium funds collected from a customer at the time of application on behalf of the Company are received in trust and must be submitted to the Company immediately. Athene does not allow premiums to be deposited into or paid from producers' accounts under any circumstances. In addition, producers are not permitted to purchase cashier's checks on behalf of a customer.

## Contract Issue

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 increase, the chance of errors in processing is greater, and unnecessary delays may arise that can lead to a disappointing customer experience with Athene for both you and the applicant.

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

## Delivery Requirements

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

Depending upon your sales organization's preference, Athene will mail the annuity contract either to you or to the customer directly. If mailed to you, producers are expected to promptly deliver contracts to the policy owners and subsequently return to the Company, within the delivery period, either:

- The properly signed Delivery Receipt, any Amendment of Application, and any other items requested by the Company that require the contract owner's signature at delivery; or
- A written statement signed by the proposed contract owner stating that he or she did not accept the contract and desires a refund of premium. The statement may be on the face page of the contract that is returned to the Company.

**Remember:** A signed delivery receipt is the best documentation for Athene and you that the contract 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.

## 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 contract during the free-look period, the policy owner must do the following (as stated on the cover page of the contract):

1. Sign and date a written request to cancel the contract within a specified amount of time following delivery; and
2. Submit the written request to the home office or the producer. If the producer receives the written request, that producer must immediately forward the request to the home office.

### Non-Resident Sales/Cross-Border Sales

Athene wants to make sure that all of its producers understand the rules and regulations that pertain to non-resident sales of annuities. **A “non-resident sale” (sometimes referred to as a “cross-border sale”) occurs whenever a customer buys an annuity contract outside his or her state of residence.**

State insurance departments closely examine transactions in which residents of their states are being sold insurance products outside their jurisdiction. The repercussions for producers and insurance companies can be severe, and may include the issuance of fines or penalties, remediation, or suspension of producer licenses.

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 Athene guidelines and requirements:

- Provide accurate and complete disclosure to Athene of the actual location of solicitation, application and delivery. Please note that Athene requires the solicitation, signing of the application, the premium collection and contract delivery all to occur in the same non-resident state.
- Complete the Non-Resident Information Sheet.
- Describe the connection between the applicant/owner and the non-resident state in which the sale occurs.
- Provide evidence that the applicant/owner was in the non-resident state for reasons other than merely to purchase a product at the time of application.

State insurance departments will not tolerate any producer who deliberately bends the rules in the course of selling products to citizens outside their state of residence, and nor will Athene. If a sale is appropriately made in a state other than the applicant’s residence state, the producer must maintain the appropriately made non-resident license(s) and only sell products approved in the non-resident states while conducting business in those states. In addition, producers must be familiar and comply with all rules and regulations in each state for which a non-resident license is held.

**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, Athene reserves the right to decline applications based on the information provided or other information known to the Company. It is our interpretation that the following states do not permit sales of insurance products to their residents outside their state of residence: Arkansas, Massachusetts, Minnesota, Mississippi, New York, Utah, Washington, and Wisconsin.

#### **New York:**

Please be aware that Athene Annuity and Life Company is not authorized to do business in New York and, consequentially, will not accept any applications from any New York resident customers. All applications from New York residents must be submitted to Athene Annuity & Life Assurance Company of New York.

# USA PATRIOT Act and Anti-Money Laundering

The USA 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 USA PATRIOT Act to banks and other large financial institutions has been extended to insurance companies. Athene takes this responsibility very seriously and has adopted an Anti-Money Laundering (AML) Program in order to fulfill its obligations under the USA PATRIOT Act, as developed by the U.S. Department of Treasury.

Producers play an important role in our AML Program. Regulations require that Athene and our distribution force collaborate in preventing money laundering by detecting and reporting suspicious transactions. All marketing organizations and producers must also comply with the Company's anti-money laundering procedures which include:

- The collection of customer information to detect and report suspicious transactions;
- The verification of the identity of the customer (including the owner, insured, annuitant, beneficiaries and beneficial owners);
- The communication of suspicious activity to Athene;
- The training of producers; and
- Cooperation with testing of the AML Program.

Should you detect or observe a situation or transaction that may be related to money laundering or any other financial crime, you are required to notify Athene's Compliance Department via the Request for Compliance Review form (RFCR). A confidential investigation will be conducted by the Compliance Department.

### Customer Identification

All Athene producers are required to meet "Know Your Customer" requirements as part of each application for 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 help support the suitability of the sale. **It is important to realize that Athene reserves the right to decline an application if it cannot obtain sufficient information to establish the identity of any applicant.**

**Note:** You must keep a description of the following for 5 years after the record was made:

- Any document that was relied on to verify identity, noting the type of document, the identification number, the place of issuance, and, if any, the date of issuance and expiration date.
- The method and the results of any measures taken to verify identity.
- The results of any substantive discrepancy discovered when verifying identity.

### Guidelines for Writing Annuity Business on Foreign Individuals

Athene USA and its insurance subsidiaries (Athene) are not licensed to do business in any foreign country. Athene reserves the right to evaluate any application where the applicant is not a citizen of the United States of America. The existence of these guidelines does not mean that any or all applications submitted on foreign individuals 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.

Please see the following guidelines listed below when considering obtaining an application involving foreign individuals:

1. Producers may not advertise or solicit business within a foreign jurisdiction.
2. The application MUST be completed in the United States and in a state where the company is admitted, the producer is duly licensed and appointed, and the product applied for is approved.
3. The applicant must have a valid social security number or tax identification number issued by the Social Security Administration.
4. The proposed annuitant and owner (applicant) must be a legal resident of the United States.
5. Delivery of the contract must be made in the state where the application was taken. In all cases, a delivery receipt will be required.
6. The applicant must be in the United States for a reason other than to purchase a product with the company. The company will not consider an application on a person who is simply visiting the country.
7. The proposed applicant must be a legal resident of the United States or demonstrate one of the following:
  - a. an existing substantial business or vocational connection with the United States. For example, total or partial business ownership or employment in the United States; or
  - b. ownership of property (which includes residential property the applicant resides) in the United States.

\*Applicants may not use rental property addresses or the addresses of family members or friends located in the United States as their own, if not residing at the address.

\*\*Applicants may not use the address (residential or business) of the producer or the producer's family members.
8. The applicant must have provided you with their non-expired government issued identification card. Acceptable forms of identification include driver's license, passport, or U.S. military ID card.
9. Athene will not accept applications on politically exposed persons, including figures from a foreign country; officials, members or employees of a foreign government (national or local) and/or their family members; officers, enlisted personnel or employees of a foreign country military force.
10. Athene products are available only in the English language. Athene will only accept an application and issue a contract if the proposed applicant understands English. Athene will not accept an interpreter's certificate.
11. It is strongly preferred the applicant's address of record (including the mailing address) be within the United States.
12. All payments must be made in U.S.A. dollars and must meet Athene's acceptable forms of payment guidelines.
13. Athene will compare all applicant names (including customers, beneficial owners, beneficiaries, business associates and payees) against the United States Department of Treasury's Office of Foreign Asset Control Specially Designated Nationals (SDN) and the United Kingdom Her Majesty's (HM) Treasury list (and any additional mandated lists) and comply with any legal requirements.

## AML Red Flags

It is vital as a producer to be mindful of the activities and actions of your customers. The following activities should raise your suspicions of potential AML issues:

- The customer insists on making premium payments in cash when he or she has 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 payments (e.g., checks, wires, and electronic funds transfer) involving:
  - Payments from an account not at a United States bank
  - Payment amounts in excess of the expected premium amount; and/or
  - Use of unacceptable forms of payment (see 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 (e.g., fines or penalties).
- The customer requests a change of ownership of their contract to a person or entity of an Office of Foreign Assets Control (OFAC) Sanctioned or prohibited country.
- The customer attempts to pay premiums via a third party person or entity not associated with the contract owner.

## Forms of Payment

Athene has created rules around the type of payment that it will accept in conjunction with the initial premium and for subsequent premium payments. The following forms of payment are acceptable to Athene:

- Cashier's checks from a bank in the United States from the remitter's account when the remitter on the cashier's 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 Athene USA company;
- Personal checks must be from a bank in the United States 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; or
- Wire transfers (except as specified above) where the originator is the policy owner and the transfer is drawn from an account from a bank in the United States.

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

- Cash (Currency) in any amount
- Checks made payable to "Cash"
- Cashier's checks from foreign banks
- Cashier's checks involving a remitter who is not the owner or entity associated with contract owner.
- Money orders
- Traveler's checks
- Checks or wire transfers originating from a foreign bank
- Producer or agency check or wire transfer where the producer is the originator (except when the producer is the owner/annuitant)
- Personal checks or cashier's checks not made payable to an Athene 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

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.

### Producer AML Training

Federal regulations that became effective in 2006 require that insurance producers receive anti-money laundering training. Athene will not accept business from a producer who fails to comply with this mandate. Athene recommends and provides access to the course designed by LIMRA International, although the Company will accept proof of completion of an alternate course that a producer has completed through another carrier relationship or broker-dealer. The LIMRA course is offered to Athene producers at no cost to them.

## Replacements

States have enacted regulations to require the producer to provide the customer with the information needed to make an informed decision about whether or not the replacement is in the customer's best interest. 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 annuity products. Your compliance with and completion of all requirements when you make a replacement recommendation is critical in assisting Athene demonstrate appropriate documentation to regulators in the course of Market Conduct Examinations. Athene's Replacement Guidelines are available here and on the producer website.

The National Association of Insurance Commissioner's (NAIC) defines a replacement as:

A transaction in which a new policy, contract or annuity is to be purchased, and it is known or should be known to the proposing producer, that by reason of the transaction, an existing policy, contract or annuity has been, or is to be, any of the following:

1. Lapsed, forfeited, surrendered or partially surrendered, assigned to the replacing insurer or otherwise terminated;
2. Converted to reduced paid-up insurance, continued as extended term insurance, or otherwise reduced in value by the use of non-forfeiture benefits or other policy values;
3. Amended so as to affect either a reduction in benefits or in the term for which coverage would otherwise remain in force or for which benefits would be paid;
4. Reissued with any reduction in cash value; or
5. Used in a financed purchase.

The appropriateness of a replacement transaction is dependent upon the individual facts and circumstances of the situation. As a general rule, Athene will not approve the issuance of a new contract that is replacing another, unless the new contract better meets the current needs and objectives than the existing replaced contract, or substantially benefits the consumer in comparison to the replaced product over the life of the product.

The Company does not encourage or condone the systematic replacement of existing life insurance policies and/or annuity contracts. Marketing strategies should not be based on promoting replacements. However, we do recognize that, in some instances, a replacement may in fact be in a customer's best interest and can better assist the customer 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.

### Regulation of and Requirements for Replacement Transactions

Almost all states have adopted either the NAIC Model Regulation on Replacement of Life Insurance and Annuities or other regulations with similar requirements. Some states have very strict procedural requirements for producers and insurers (e.g., New York's Regulation 60) and other states have issued notices or bulletins to further explain their position.

### Partial Surrenders

It is critical that you understand that the broad definition under the Model Replacement regulation applies not just to full surrenders of life insurance policies or annuity contracts, but also extends to new contracts purchased with funds (e.g., withdrawals, partial surrenders or penalty free withdrawals) from existing policies or contracts. This includes required minimum distributions, taken by a customer from a qualified account, used to fund a non-qualified annuity.

**In addition, any transaction in which values are used from an existing contract within four months prior to, or 13 months after, the purchase of a new contract with the same insurer, is presumptively treated as a replacement.**

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

**Note:** Under no circumstances should you ever deliberately disguise a replacement transaction or, in any way, circumvent Athene'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 an 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 contract, without properly identifying the transaction as a replacement. If Athene learns that this has occurred, your appointment will be subject to termination.

### Twisting and Churning

Twisting is an act in which a producer persuades a customer to replace a life insurance policy or annuity contract by misrepresenting the terms of either policy/contract.

Churning is an act in which a producer sells an annuity contract or life insurance policy, funded by a replacement or replacements, not for the benefit of the customer but for the purpose of earning a commission.

Both twisting and churning are prohibited by insurance regulation. Athene has no tolerance for any producer who engages in either act. Failure to comply will be grounds for action including termination of an Athene contract.

## Sales Practices

Athene has considerable confidence in its producers to treat Athene customers fairly and with the intention of doing the best job for each customer, based on his or her individual needs and circumstances. We also recognize that any profession involving sales, and particularly insurance sales, is highly challenging and generally requires conviction, persistence, receptiveness and enthusiasm in order 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 and/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 may not have the producer's or their customers' best interests in mind. It is important to be aware of some of these pitfalls when you are interacting with your prospects and customers.

### **Misrepresentation**

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

Producers must provide customers with a comprehensive description of the product during the sale. Only use materials that have been approved by Athene as outlined in the Advertising Guidelines. When discussing any term or provision of an annuity product with a customer, 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.

### **Abusive or Coercive Sales Methods**

Producers should always market insurance products in a setting where customers are given meaningful choices. As such, producers must not engage in any sales tactics that involve illegal, abusive, or coercive sales methods.

Responsiveness to questions about the product and clear communication about both its benefits and limitations are important parts of the producer's job. There is nothing wrong with appropriately motivating a prospective customer to take action to solve his or her insurance needs. After all, there is a long and impressive history in our company and throughout the industry that clearly demonstrates how annuities have helped protect and sustain the financial well-being of many individuals and families. That said, abusive or coercive sales methods are unnecessary and will not be tolerated by Athene.

### **Use of Scare Tactics**

One type of abusive or coercive sales method is to use fear inappropriately to scare the prospect into buying a product he or she otherwise would not. Athene understands that in the marketing of annuity products, motivating a prospective customer to take action is a critical element in the sales process. During the sales process a producer will often utilize a combination of experience-based knowledge, creative expression via promotional and marketing material and perhaps information supplied by a third party. However, the line between motivating a purchase and scaring a prospect needs to be respected. Regulators often consider such inappropriate or misleading statements and information to constitute the use of scare tactics. It is also important to realize that depending on your target market, tactics may be perceived differently by regulators, particularly in the case of senior citizens. Particular care must be taken when talking with seniors. Athene 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.”

### Competition

Athene 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 Athene products. This includes misrepresenting or inappropriately commenting on an insurer’s financial strength. Any comparisons with other insurers’ products must be complete, balanced, and in compliance with the accuracy and truthfulness requirements described in the Athene Advertising Guidelines.

### Ghostwritten Materials

Athene prohibits the use of misleading marketing materials to improperly legitimize one’s credentials or background in the course of marketing and selling Athene’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 a producer represents himself or 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 of said media is prohibited.

A similar type of potentially misleading marketing involves suggesting an expertise in the field by purchasing airtime on local affiliates of major television/cable networks and then indicating on marketing materials promotional language such as “Seen on ...” with the logos and the suggestion the appearance was a guest appearance on a national program. This type of promotion is increasingly drawing the attention of regulators and is very high risk. Producers should be very cautious when utilizing these mediums and take care to ensure that it is clear that the airtime has been purchased.

### Pretext Selling

A concern identified by many regulators is the failure of insurance producers 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 producer through which:

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

Types of subject matter often involved in pretext selling include:

- Government, disability, or veterans benefits
- College aid or educational planning
- Living trusts
- Tax preparation
- How to avoid probate
- How to reduce taxes on Social Security benefits
- How to maximize Social Security benefits
- Medicaid planning
- Roth conversions

### Rebating

Rebating is illegal or at least limited in most states, and prohibited by Athene even if the state allows it. 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 an annuity contract. Transactions that may be considered a rebate include, but are not limited to:

- Any gift designed to induce a purchase. Note that state laws vary dramatically with respect to gifting and rebating. You are responsible for knowing the law in the states where you do business.
- Return of commissions earned
- "Free insurance"
- Payment by the producer or agency of any premium
- Refund of premium due to persistency of policy

### Veterans Administration Benefit Programs

Athene will not accept business written in conjunction with marketing programs that promote qualifications for Veterans Administration (VA) benefits. The use of any marketing materials which promote VA benefits in conjunction with the sale of Athene products is prohibited.

Even if you are not marketing or advertising in such a fashion, you should be very cautious if a veteran approaches you for assistance in qualifying for benefits. Laws and regulation vary by state, and some prevent veterans from moving assets to qualify for benefits. You should refer customers to a qualified legal advisor if this scenario arises.

### Affiliation with Government Agencies

No producer may represent himself or herself, either explicitly or implicitly, as representing, connected with, or endorsed by an governmental program or agency. The use of any business model or marketing materials which suggests such is prohibited.

## Charging Fees Not Acceptable

Athene wants to communicate an important reminder to all producers about the inappropriateness of charging fees related to the post-sale servicing of Athene products.

Such fees are unacceptable to Athene and may violate the Unfair Trade Practices statutes and related Insurance department bulletins of a number of states. A majority of the states have adopted a version of the Unfair Trade Practices statute.

These statutes contain the same, if not similar, language as follows:

*An insurance producer is not permitted to charge a fee, in addition to earning a commission, for services that are customarily associated with the solicitation, negotiation or servicing of policies.*

Those statutes also remind producers that "Unfair financial planning practices" includes an insurance producer:

*Holding himself or herself out, directly or indirectly, to the public as a financial planner, investment adviser, consultant, financial counselor, or any other specialist engaged in the business of giving financial planning or advice relating to investments, insurance, real estate, tax matters, or trust and estate matters, if the insurance producer is, in fact, engaged only in the sale of policies.*

While fee-for-service businesses may be appropriate in some areas of the financial services industry, the charging of fees is closely regulated and often requires special licensing, credentials and disclosure.

For instance, a Registered Investment Advisor is one example of a person/firm that may charge advisory fees. But even for those duly authorized to charge fees for assets under management, those fees generally would not include the value of fixed insurance products where a commission was paid on the sale. Such advisory fees would likely be viewed by regulatory authorities as fees related to post-sale service activities and unacceptable in many jurisdictions. And, to the extent a commission has already been earned on the sale of the fixed product, charging a fee for ongoing "management" of a fixed product would be unacceptable to Athene.

Athene views a customer service request as a professional responsibility and an opportunity to enhance your relationship with your customer. All producers should be aware that state regulators would likely take strong action – either as a direct code or unfair trade practices violation – against any producer who charges a post-sale service fee for activity such as, for example, assisting a beneficiary complete a claim form. Such state enforcement action can include fines, suspension of a license, or both. Please utilize Home Office support in order to assist your customers with their service needs. Together, we can provide a distinctive customer service experience for your customers while also putting people before policies.

## Tax Advice

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 producer might be accountable for providing "tax advice" without the required 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 producer's professional liability policy excludes tax advice from coverage, but generally will honor claims brought against a producer for statements about taxation that are "incidental" to the sale of a covered product.

Athene recognizes that the discussions you have with your customers frequently include information about the basic characteristics of annuities, of which taxation plays a significant role. 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. Note that it is the tax aspects of the products that should be the focus, rather than providing advice to a specific customer regarding their personal tax situation.

You also have an obligation to develop a fundamental understanding of some of the basic "tax traps" associated with annuity products. For example, certain ownership and beneficiary arrangements may have unanticipated tax consequences. Another example is that a deferred annuity owned by a "non-natural person" (e.g., a corporation) will not enjoy tax deferral on the growth of the contract's accumulated value. General knowledge of the rules within IRC Section 1035 on allowable tax-free exchanges is another common area of discussion. An insurance professional should know these tax fundamentals and be prepared to discuss them. **But that same insurance professional should make it clear to the customer that he or she is providing information about incidental tax matters, not dispensing tax advice unless retaining the necessary qualifications to do so.**

### Unauthorized Practice of Law

As an insurance professional, one of your chief goals is to help your customers achieve their financial goals and objectives. Depending upon your licenses and designations, this may extend beyond insurance product and planning recommendations to broader financial planning or advice. Even when a producer is insurance-licensed only, the producer may often find him or herself in the position of responding to various questions from a prospect or customer about a wide range of financial matters. It is 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 Athene, we encourage our producers to build relationships and work with other professionals. Developing relationships with lawyers, CPAs, trust officers and other financial services professionals is not only appropriate, but encouraged by Athene in order to enhance the producer's professional growth. Frequently, customers look to their producers 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 producer does not have the required professional license or the requisite training. This is particularly problematic regarding legal matters that are naturally intertwined with the purchase 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.



## Attention California and New York Producers:

On the following pages, please find a set of producer compliance guidelines specifically addressing your state requirements.

As an Athene appointed producer, it is expected that you adhere to these state specific requirements as well as the general Market Conduct and Compliance Guidelines and positions outlined in the prior pages of this Guide.

## Key Requirements for California Producers

### Settlement with the California Attorney General

In 2007, American Investors Life Insurance Company, Inc. ("AIL") entered into a settlement with the California Attorney General and California Department of Insurance. As part of the settlement, Athene (AIL's successor by merger and acquisition) agreed to send you these Guidelines and Procedures to help remind you of the requirements of California Law as part of that settlement. The following sections set forth the key provisions of the Stipulated Judgment as they may relate to the conduct of California producers.

### No Unauthorized Practice of Law

Insurance producers shall not engage in any conduct that violates Sections 6125 or 6126 of the California Business and Professions Code, or constitutes the unauthorized practice of law.

### No Running and Capping

Insurance producers shall not act as a runner or capper, as those terms are defined in Section 6151 of the California Business and Professions Code, or engage in any conduct that violates Section 6152 of the Business and Professions Code.

### No Acting as an Investment Adviser Without Appropriate Licensure

Insurance producers shall not engage in any conduct that constitutes a violation of Section 25230 of the California Corporations Code, including acting as an "investment adviser" as that term is defined by Section 25009 of the California Corporations Code, without obtaining a license required by Section 25230 of the California Corporations Code.

### Advertising Requirements for Customers Aged 65 and Older

Insurance producers shall not direct to customers aged 65 years of age or older advertisements or other devices designed to produce leads based on a response from a potential insured without clearly and conspicuously disclosing in the advertisements or other devices designed to produce leads that recipients may be contacted by an insurance producer, if in fact that is the case. The "advertisements or other devices" covered under this provision include solicitations or advertisements promoting "Estate Planning Documents" or events where Estate Planning Documents will be marketed. "Estate Planning Document" means: (a) any will (including any codicil or any pour over will); living will; trust (including any revocable or irrevocable living trust, which may also be known as an inter vivos trust, testamentary trust, abstract or certificate of trust); revocation or modification of any trust; trust amendment; power of attorney (whether durable or not, whether for health care, asset management or other purpose); transfer of title documents connected with the funding or administration of any trust, the avoidance of probate, or any probate proceeding; or conservatorship; (b) any written instruction, summary or explanation concerning any document identified in part (a) of this definition; (c) any amendment to or revision of any document identified in part (a) of this definition; and (d) any document needed to carry out the funding or administration of any trust, probate avoidance mechanism or probate proceeding. However, the term "Estate Planning Document" excludes any annuity or other insurance product, as well as any documents relating to the terms, use, conditions, exclusions, transfer, ownership, administration, beneficiary



designations or funding of an annuity or insurance contract, provided that such documents are not used to offer or sell documents identified in subparagraphs (a) or (c) above.

### **Home Solicitation Contracts**

Insurance producers shall not offer or enter into a home solicitation contract, which shall include any contract for group or prepaid legal services, without fully complying with California Civil Code sections 1689.5 through 1689.7.

### **No Fiduciary Abuse**

Insurance producers shall not engage in fiduciary abuse as defined in California Welfare and Institutions Code section 15610.30.

### **No Untrue or Misleading Statements**

Insurance producers shall not make or disseminate untrue or misleading statements, or cause untrue or misleading statements to be made or disseminated, with the intent to induce a customer to purchase either: (i) any annuity or other insurance product, or (ii) any other good or service sold or offered to a person also offered, marketed or solicited to purchase annuities or other insurance products.

### **Seminar Disclosures**

Insurance producers shall not use the terms "seminar," "class," "informational meeting," or substantially equivalent terms to characterize the purpose of a public gathering or an event where insurance products will be marketed or offered for sale unless the advertisement adds the words "and insurance sales presentation" immediately following those terms in the same type size and font as those terms.

### **Home Meeting Disclosures**

Before meeting with a customer 65 years old or older at the person's home, for the purpose of marketing or selling annuities or other insurance, producers must first comply with all provisions of Section 789.10 of the California Insurance Code, including but not limited to, giving all notices required under subdivision (b) of Section 789.10.

### **Surrender Charge Disclosures**

Under the Stipulated judgment, ALL must include in all disclosures and information provided to customers, pursuant to Section 10127.13 of the California Insurance Code, references to all page numbers that refer to, describe, or disclose any surrender charge that may be assessed upon the full or partial surrender of the annuity, regardless of the circumstances of the surrender.

### **Compliance with the Insurance Code**

Insurance producers shall not engage in any conduct that violates Sections 780, 781, 785(a), 787, 789.10, 790.02, 790.03 or any other provision of the California Insurance Code.

## Key Requirements for Athene Annuity & Life Assurance Company of New York (AANY)

### Regulation 60 Procedures For Selling Annuities On A Replacement Basis In The State of New York

#### Introduction

Replacement sales in New York are subject to requirements of Regulation 60. The regulation is designed to protect customers who are considering the replacement of their life insurance policies or annuity contracts. Regulation 60 requires insurers and their appointed producers to provide prescribed comparative information to customers when a life insurance policy or annuity contract is being replaced. To comply with NYSDFS Regulation 60, these procedures are intended to inform and train producers with respect to the requirements. The Company calls for a one-step procedural process. The requirements are described below, and producers must comply fully with these procedures.

#### Special Forms

Special forms must be used for replacement transactions in New York. These forms are listed below and can be found on the Company's producer website

##### Forms Used For Regulation 60 Process – Submitted with Application and New Business forms

- [Definition of Replacement](#) (Appendix 11) (20697)
- [Authorization to Obtain Disclosure Information](#) (20698)
- [Important Notice Regarding Replacement](#) (Appendix 10C) (20696)

##### Forms Used for Regulation 60 - Disclosure Statement

- [Appendix 10B](#) (20695) to be used for annuity to annuity replacement and [Appendix 10A](#) (20694) to be used for all life insurance to annuity replacements. Athene will send you the appropriate Disclosure Statement. You do not need to submit with the initial submission.
- All questions must be answered. **Blank answers are not accepted**, must use 'N/A' (not appropriate) to fill in blank answer lines.
- List every available reason(s) for recommendation of new contracts, why existing contracts/policies do not meet customer's objectives and list advantages available to continue existing contract/policy.

#### Regulation 60 Procedure

##### 1. Complete Definition of Replacement Form

Prior to completing or taking a New York Application, the [Definition of Replacement](#) (Appendix 11) form (20697) must be completed and signed by both the customer and producer for all sales in the State of New York.

If any of the questions on the Definition of Replacement form are answered "yes," the proposed sale is a replacement and additional forms are required to be submitted with an application.

If all questions on the Definition of Replacement are answered "no", the sale is not a replacement. In this situation, the sale can be completed at this time by both the customer and producer completing and signing the application, and submitting the original application and Definition of Replacement form to Athene Annuity NY. Provide a copy of the Definition of Replacement to the customer. No further action is required under Regulation 60.

## 2. Authorization to Release Obtain Disclosure Information

Producer completes and obtains customer signature on the Authorization to Obtain Disclosure Information. The Application, Definition of Replacement, Authorization to Obtain Information and Important Notice MUST be dated the same. Obtain list of all existing life insurance policies or annuity contracts and the policy/contract numbers proposed to be replaced.

## 3. Forms Submittal

Producer submits [Definition of Replacement](#) (Appendix 11) form (20697), the [Authorization to Obtain Disclosure Information](#) form (20698), [Important Notice Regarding Replacement](#) (Appendix 11) form (20696) and policy application forms to Athene (for new contracts). The customer and producer must sign and date the definition of replacement form and the authorization to obtain disclosure information form.

The customer must receive a copy of each signed form for his or her records.

Within 10 days of receipt of the completed and signed forms described above, Athene will request from the existing carrier the information needed to complete the applicable Disclosure Statement form. Under Regulation 60, the existing carrier whose Annuity/Life Insurance contract is potentially being replaced has 20 days from receipt of the request from Athene to provide the information to complete the Disclosure Statement. Athene must wait for that period of time to receive the information.

## 4. Athene New Business Contacts Producer

Once the necessary information to complete the appropriate Disclosure Statement is received from the existing insurer, Athene will review to determine if replacement meets the customer's objective. If appropriate, the new business unit will input the disclosure information for the existing Annuity/Life contract as well as the required information for the proposed contract onto the Disclosure Statement. Athene will provide the producer with the updated Disclosure Statement.

- [Disclosure Statement \(Appendix 10A\)](#) (20694) or [\(Appendix 10B\)](#) (20695) (**Note:** All questions must be answered, no blanks, must use 'N/A' (not appropriate) to fill in blank answer.)

## 5. Completion of Disclosure Statement

(**Note:** All questions must be answered, no blanks, must use 'N/A' (not appropriate) to fill in blank answers.)

The producer completes the Disclosure Statement by thoroughly reviewing it for accuracy and by completing and signing the "Producer's Statement" section of the disclosure document. Questions 1-3 on [Appendix 10A](#) (20694) and Questions 1-4 on [Appendix 10B](#) (20695) are to be answered, to include every available reason(s) for recommendations of new contracts, why existing contracts cannot meet customer's needs and list all advantages to continue existing contract or policy (e.g. no surrender charge).

**The customer will receive a copy of the completed Disclosure form for his or her review with the issued annuity contract.**

## 6. Final Submission By Producer

Producer submits the following completed and signed forms to Athene:

- [Disclosure Statement \(Appendix 10A\)](#) (20694) or [\(Appendix 10B\)](#) (20695)

**Producer requirements are now complete. The annuity contract cannot be issued until the completed Disclosure Statement is returned by the Producer to Athene.**

It is imperative that the annuity contract be delivered promptly to the customer so he/she may review the Disclosure Statement. If the customer determines that the replacement was not in his/her best interest, he/she may elect to free look the annuity and have the premium refunded to the existing carrier. Failure to deliver the annuity contract in a timely fashion could impair the existing company's ability to reinstate a surrendered policy. This could result in tax consequences for the customer, a customer complaint about the delivery of the contract and interfere with the processing of the free look.

### **New York Producers Regulation 194 Commission Disclosure**

On Saturday, January 1, 2011, New York State Regulation 194 regarding commission disclosure became effective in order to create "Producer Compensation Transparency."

The following must be disclosed to the Purchaser either orally or in writing at or prior to the time of application for the annuity contract or insurance policy. If the disclosure is first given orally, it must be supplemented with a prominent written notice before or at the time the annuity contract or insurance policy is issued. It is not sufficient to give only a verbal disclosure.

- A description of the role of the producer in the Sale.
- That all producers receive commission.
- That commission rates vary depending on the product and the producers' commission scale.
- And that the Purchaser may obtain detailed information about the expected producer commission by making a written request to the producer.

If the Purchaser makes a request for a detailed commission disclosure, the producer must provide a prominent written disclosure. Records of these requests must be retained by the producer for three years.

To learn more about this New York regulation go to:

[http://www.dfs.ny.gov/insurance/r\\_finala/2010/rf194txt.pdf](http://www.dfs.ny.gov/insurance/r_finala/2010/rf194txt.pdf)

### **New York Non-Resident Sales**

Athene Annuity & Life Assurance Company of New York will not accept an application from a non-New York resident where the annuity contract is being sold by a resident appointed producer in any state except New York.

### **New York Regulation 187 - Best Interest and Suitability Guidance**

#### **Company Position:**

Athene Annuity & Life Assurance Company of New York ("The Company") is committed to offering annuity products that meet customers' needs and objectives. All recommendations for the purchase or exchange of an annuity product must be suitable for, and in the best interest of, the customer based on information known by the producer at the time the recommendation is made. Prior to making a recommendation, the producer must obtain relevant information from consumers regarding their insurance needs and financial objectives. When giving a recommendation you should also remind the consumer to discuss the annuity purchase with a tax advisor or legal professional.

The following information is intended to provide information to assist you in complying with New York Regulation 187, Suitability and Best Interests in Life Insurance and Annuity Transactions. The Company strongly recommends that you review the regulation in its entirety. It can be found on the New York State Department of Financial Services ("NYDFS" or "DFS") website.

### What is the Purpose of the Regulation?

Effective August 1, 2019, the regulation has two main purposes. First, it requires insurers to establish standards and procedures to ensure all annuity and life insurance transactions or recommendations to customers with respect to policies delivered or issued for delivery in New York are in the best interest of the customer and appropriately address the insurance needs and financial objectives of the customer at the time of the transaction. Second, it declares the duties and obligations of producers when making recommendations to customers with respect to policies delivered or issued for delivery in New York.

The regulation applies to recommendations made for both proposed and in-force policies.

### Definition of Terms

The regulation provides definitions of terms utilized within the regulation. Following is a summary of definitions of key terms you should understand to ensure compliance with your obligations under the regulation.

**Recommendation** is defined as one or more statements or acts by a producer to a customer that:

- reasonably may be interpreted by a customer to be advice and that results in a customer entering into, or refraining from entering into, a transaction in accordance with that advice; or
- is intended by the producer to result in a customer entering into, or refraining from entering into, a transaction.

A recommendation does not include general factual information to customers, such as advertisements, marketing materials, general education information regarding insurance or other financial products and general administrative services. A recommendation also does not include use of an interactive tool that solely provides a prospective customer with the means to:

- estimate insurance, future income or other financial needs
- compare different types of products
- refer the customer to a producer (provided that the interactive tool is not used by that producer to satisfy any requirement imposed by the regulation).

**Suitable** is defined as in furtherance of a customer's needs and objectives under the circumstances then prevailing, based upon the suitability information provided by the customer and all products, services, and transactions available to the producer.

**Suitability information** is defined as required information collected by the producer in making a recommendation.

For a policy solely providing term life insurance with no cash value, information that is reasonably appropriate to determine the suitability of a recommendation commensurate with the materiality of the transaction to a customer's financial situation at the time of the recommendation and the complexity of the transaction recommended, including some or all of the following, as relevant to the customer:

- Age
- Annual income
- Financial situation and needs, including the financial resources used for the funding of the policy; financial objectives
- Intended use of the policy, including any riders attached thereto
- Financial time horizon, including the duration of existing liabilities and obligations
- Existing assets, including investment and insurance holdings

- Willingness to accept non-guaranteed elements in the policy, including variability in premium, death benefit, or fees
- Any information provided by the customer which in the reasonable judgment of the producer is relevant to the suitability of the transaction

For any policy other than a policy solely providing term life insurance with no cash value (including annuities), information that is reasonably appropriate to determine the suitability of a recommendation commensurate with the materiality of the transaction to a customer's financial situation at the time of the recommendation and the complexity of the transaction recommended, including some or all of the following, as relevant to the customer:

- Age
- Annual income
- Financial situation and needs, including the financial resources used for the funding of the policy
- Financial experience and objectives
- Intended use of the policy, including any riders attached thereto
- Financial time horizon, including the duration of existing liabilities and obligations
- Existing assets, including investment and insurance holdings
- Liquidity needs
- Liquid net worth
- Risk tolerance
- Willingness to accept non-guaranteed elements in the policy, including variability in premium, cash value, death benefit, or fees
- Tax status
- Any other information provided by the customer which in the reasonable judgment of the producer is relevant to the suitability of the transaction.

**Sales transaction** is defined as the purchase or issuance of a policy, any replacement as defined by section 51.2(a) of this Title (Regulation 60), conversion, or any modification or election of a contractual provision with respect to an in-force policy that generates new sales compensation. New sales compensation does not include compensation provided to a producer when, after the initial premium or deposit under a policy, the customer pays further premiums or deposits pursuant to the policy.

**In-force transaction** is defined as any modification or election of a contractual provision with respect to an in-force policy that does not generate new sales compensation. New sales compensation does not include compensation provided to a producer when, after the initial premium or deposit under a policy, the customer pays further premiums or deposits pursuant to the policy.

### Duties of the Producer - Sales Transaction:

With respect to sales transactions, the producer is required to act in the best interest of the customer when:

- The producer's recommendation to the customer is based on an evaluation of the relevant suitability information provided by the customer and reflects the care, skill, prudence, and diligence that a prudent person acting in a like capacity, and familiar with such matters, would use under the circumstances. Only the interests of the customer may be considered in making any recommendations. The producer's receipt of compensation or other incentives are not permitted to influence the recommendation.
- The sales transaction is suitable.
- There is a reasonable basis to believe that the customer has been reasonably informed of various features of the annuity, both favorable and unfavorable. These features include, but are not limited to:
  - o Potential surrender period and surrender charge
  - o Availability of cash value
  - o Potential tax implications if the customer surrenders or annuitizes the contract
  - o Policy exclusions and restrictions
  - o Guaranteed interest rates
  - o The manner in which the producer is compensated for the sale and servicing of the policy in accordance with Regulation 194 and Insurance Law section 2119
- The customer would benefit from certain features of the annuity.
- The annuity contract is suitable based on the customer's suitability information.
- In the case of a replacement of a policy, the replacement is suitable after certain considerations, including, but not limited to:
  - o Will the customer incur a surrender charge?
  - o Will any death benefit or income amount be decreased?
  - o Will the customer be subject to a new surrender period?
  - o Will there be tax implications if the customer surrenders the annuity?
  - o Would the customer benefit from policy enhancements and improvements?
  - o Has the customer had another policy replacement within the past 36 months?
- A producer may weigh multiple factors that are relevant to the best interest of the customer including, but not limited to:
  - o Benefits provided by the policy
  - o Price of the policy
  - o Financial strength of the insurer
  - o Other factors that differentiate products or insurers
- All requirements in the regulation apply to every producer who participated in the recommendation and received compensation as a result of the sales transaction, regardless of whether the producer had direct customer contact.
- Prior to the recommendation of a sales transaction, a producer must make a reasonable effort to obtain the customer's suitability information.

- A producer may not make a recommendation to a customer to enter into a sales transaction unless the producer has a reasonable basis to believe that the customer has the financial ability to meet the financial commitments under the policy. This requirement applies to both annuities and life insurance.
- Neither a producer nor an insurer may dissuade a customer from:
  - Truthfully responding to an insurer's request for confirmation of suitability information
  - Filing a complaint with the superintendent or with the Company
  - Cooperating with a complaint investigation

**Note:** You must obtain and collect all information contained on the Athene Suitability and Best Interest Worksheet and on the Product Comparison Worksheet, if applicable. Athene will not approve an application with missing information. Please check with your sales organization's back office - your organization may use its own forms and methods of obtaining suitability information.

You must make a recommendation to a customer prior to submitting an Athene annuity application. Athene will not approve an application where a producer has not determined that the annuity is suitable and, in the customer's, best interest.

### **Duties of the Producer - Disclosure at the Time of Recommendation**

- At the time of recommendation, a producer must disclose to the customer, in a reasonable summary format, all relevant suitability considerations and product information, both favorable and unfavorable. They must also provide and document the basis for any recommendation made.
- Guidance has been given from the DFS that this disclosure may be made verbally. However, documentation of this recommendation and disclosure must be kept in a producer's file.

It is crucial that a producer document all recommendations made to enter into a sales transaction and all recommendations made to refrain from a sales transaction. For both sales transactions and in-force transactions, a producer is obligated to maintain all records in accordance with New York Regulation 152. A producer should keep all policy files for at least 6 years after a policy is no longer in force or for at least 6 years if a policy was not issued.

### **Professional Designations**

- A producer may not use a title or designation of financial planner, financial advisor or similar title unless the producer is properly licensed or certified and actually provides securities or other non-insurance financial services.
- Although a producer may state or imply that a sales recommendation is a component of a financial plan, a producer shall not state or imply to the customer that a recommendation to enter into a sales transaction is comprehensive financial planning, comprehensive financial advice, investment management or related services unless the producer has a specific certification or professional designation in that area.
- Athene has a list of approved and prohibited designations. Prior to utilizing a designation in connection with an Athene sale, you must ensure that the designation has been approved. If it is not on the approved list, you must obtain Athene's approval prior to using the designation. You may not use a prohibited designation in connection with an Athene sale.



## Duties of the Producer and Insurer - In-Force Transaction

With respect to in-force transactions, the producer and insurer are required to act in the best interest of the customer when:

- The producer's or insurer's recommendation to the customer reflects the care, skill, prudence, and diligence that a prudent person acting in a like capacity, and familiar with such matters, would use under the circumstances then prevailing. Only the interests of the customer shall be considered in making the recommendation. The producer's receipt of compensation or other incentives permitted by the Insurance Law and the insurance regulations is permitted by this requirement provided that the amount of the compensation or the receipt of an incentive does not influence the recommendation; and
- There is a reasonable basis to believe the customer has been reasonably informed of the relevant features of the policy and potential consequences of the in-force transaction, both favorable and unfavorable.

A producer is prohibited from recommending a customer to enter into an in-force transaction without having adequate knowledge.

**Athene employees are prohibited from making a recommendation for either a sales transaction or an in-force transaction.**

## Producer Training

Athene is responsible for ensuring that every producer recommending any transaction with respect to the insurer's policies is adequately trained to make the recommendation in accordance with the regulation. Prior to submitting an application to Athene, a producer must complete training regarding the regulation and provide proof of completion to Athene. Athene will accept training from vendors who provide training that has been reviewed by DFS and approved for continuing education credits.

In addition, Athene requires all producers to complete product specific training prior to soliciting an application. Athene contracts with a third party to provide unique training for each product offered.

**If an application is solicited prior to completing any required training, the application will not be accepted and the producer must complete the training prior to resoliciting the application.**

## Athene's Responsibilities and Supervision

Athene may not effectuate a sales transaction unless there is a reasonable basis to believe that the transaction is suitable based on the suitability information provided by the customer and without regard to availability of products, services, and transactions of companies other than Athene. Athene has established a system of supervision to achieve compliance by its producers and itself with section 224.4(a) through (k).

- Athene requires the submission of the "Suitability and Best Interest Worksheet" with each application. This form allows a producer to collect the customer's suitability information and is required by both the regulation and Athene. Please check with your sales organization's back office - your organization may use its own forms and methods of obtaining suitability information.
- The "Suitability and Best Interest Worksheet" also requires a producer to document and disclose the basis for a recommendation for a sales transaction.

- If the annuity application involves a replacement of a life insurance policy or annuity contract, Athene requires the submission of a "Product Comparison Worksheet." This form allows a producer to document the requirements of 224.4(b)(iv)(a-c).
- In the case where Athene is the replacing insurer, Athene shall provide policy information in accordance with Part 51 of this Title (Regulation 60).
- On a quarterly basis, Athene reviews any complaints on annuities issued in New York regarding recommendation of either sales transactions or in-force transactions.
- Athene has written procedures for individual referrals of producers to its Producer Business Review Team (ABRT) based on various factors, including complaints, suitability and best interest recommendation issues, or other business practice concerns. The ABRT monitors the actions of producers by investigating the nature and circumstances of the referral. In addition, the ABRT reviews the background of the producer on each referral to identify previous complaints, any regulatory action, and production trend concerns. Upon completion of the review, the ABRT may make a recommendation for action which can include an informal warning through direct conversation, a formal written warning, or termination of the producer's appointment. The ABRT Director meets regularly with the Chief Compliance Officer to discuss producer concerns and trends.
- Athene has established procedures to identify suspected financial exploitation and abuse. On an annual basis, each Athene employee receives Financial Crimes Training, and financial exploitation is part of that training. Employees who have responsibility for processing, investigating and litigating applications or claims receive additional training on an annual basis. These employees include call center staff, any employee with a policy function, claims handlers, legal staff, compliance and any others who perform similar duties. During the trainings, employees explore what financial exploitation is, how abuse occurs and who is at risk for financial exploitation and abuse. Employees learn more about their role in helping to detect, deter and prevent such activity, the behavioral and financial red flags associated with this crime, the company's reporting responsibility to law enforcement and regulatory agencies as well as the method in which the employee may report their suspicions of financial exploitation and abuse to the Special Investigation Unit.

If an Athene annuity contract or life insurance policy is being replaced, Athene will provide all available relevant policy information to a producer that is necessary for them to evaluate the replacement.

Athene shall take appropriate corrective action for any customer harmed by a violation of this regulation by either The Company, the producer, or any third party with whom the insurer contracts. Please refer to this Doing Business with Athene Producer Guide for information regarding Athene's complaint handling philosophy and process.

Athene will maintain all records required or maintained under this regulation in accordance with New York Regulation 152 and its Document Retention policy, which meets or exceeds the regulatory requirements of New York.

### **Summary of the Suitability Supervision Monitoring Process - Delegated Suitability**

Regulation 187 allows an insurer to contract with a third party to establish and maintain a system of supervision with respect to insurance producers. This practice is known as "delegating" suitability in the industry. The third party must comply with all aspects of Regulation 187 in order to fulfill this function and satisfy its obligations to Athene.

#### **Due Diligence**

- By a separate agreement entitled "Suitability Addendum," Athene has the option to elect to comply with Regulation 187 to satisfy its regulatory obligations and delegate suitability to a third party (in all Athene cases, broker-dealers).

- Before entering into a selling agreement with a broker-dealer, Athene's Legal and Compliance Department conducts due diligence of the broker-dealer, including reviewing aspects of the broker-dealer's compliance program. Specific to suitability oversight, Athene will review the broker-dealer's suitability forms, suitability review criteria, and processes for ensuring required training is completed by each registered representative. Athene also provides suitability guidelines with which the broker-dealer must comply while providing suitability oversight. Only after completing the due diligence process will Athene determine whether it should delegate the suitability oversight function to a broker-dealer.

### Oversight by Athene Compliance

- Athene sends an annual certification to each broker-dealer who has assumed the suitability oversight role for its Athene annuity sales. Each broker-dealer must certify to Athene it has, and enforces, written supervisory procedures to comply with FINRA Conduct Rules including:
  - Training its producers on conducting a suitability assessment
  - Ensuring producers have completed all required training
  - Acknowledging its compliance with the New York insurance law and suitability guidelines provided by Athene.
- Athene provides guidance on Athene specific suitability requirements broker-dealers must follow.
- Athene sends an annual report to each broker-dealer with suitability oversight responsibility. This report provides detail about annuity business written by the broker-dealer's producers, including information about free-looks, replacements, and other data that allows the broker-dealer to perform oversight of its producers.
- Athene performs an audit of any annuity business submitted in the previous 12 months by a sample of broker-dealers based in part on sales and application volume. In this audit, Athene requests documentation from the broker-dealer's files on randomly selected annuity applications. Athene requires this documentation to support the suitability recommendation, including suitability forms and comparison worksheets. After conducting the audit, Athene provides written feedback to the broker-dealer and requires a response to any issues identified in the audit.

This material is provided by Athene Annuity and Life Company (61689) headquartered in West Des Moines, Iowa, which issues annuities in 49 states (excluding NY) and D.C., and Athene Annuity & Life Assurance Company of New York (68039) headquartered in Pearl River, New York, which issues annuities in New York.

The term "financial professional" is not intended to imply engagement in an advisory business with compensation unrelated to sales. Financial professionals will be paid a commission on the sale of an Athene annuity.

ATHENE ANNUITIES ARE PRODUCTS OF THE INSURANCE INDUSTRY AND NOT GUARANTEED BY ANY BANK NOR INSURED BY FDIC OR NCUA/NCUSIF. MAY LOSE VALUE. NO BANK/CREDIT UNION GUARANTEE. NOT A DEPOSIT. NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY. MAY ONLY BE OFFERED BY A LICENSED INSURANCE AGENT.