

## Common Issues When Completing the Basis of Recommendation

Example statements that required updating:

26. Basis of Recommendation: Check all factors that contributed to the basis of your recommendation.

<input type="checkbox"/> Immediate Income	<input checked="" type="checkbox"/> Future Income	<input checked="" type="checkbox"/> Lifetime Income	<input type="checkbox"/> Fees / Fee Reduction
<input type="checkbox"/> Guaranteed Interest Rate	<input type="checkbox"/> Index Crediting Features	<input checked="" type="checkbox"/> Asset Accumulation / Growth Potential	<input type="checkbox"/> Other: _____
<input checked="" type="checkbox"/> Safety of Principal	<input type="checkbox"/> Diversification	<input type="checkbox"/> Consolidation	
<input checked="" type="checkbox"/> Features of Riders	<input checked="" type="checkbox"/> Death Benefit	<input type="checkbox"/> Reduce Market Risk	

Please provide a summary below explaining the basis of your recommendation. This explanation should include **specific and policy-specific details** that support the items checked above as well as any other considerations in making your recommendation.

**If the client is replacing an existing annuity policy, the summary should also describe the benefit to the client over the life of the policy. Be sure to explain why the existing policy cannot meet the client's needs and financial objectives.**

Be as thorough and comprehensive as possible. If more space is needed, please continue onto a separate page. If a second page is used, the client should initial the additional explanation pages. **Failure to provide a comprehensive explanation may result in processing delays.**

After complete financial review of all assets, liabilities, retirement income needs, risk tolerance, this annuity is suitable for the clients retirement income plan.

Multiple factors were checked but none of these factors were discussed in the written statement.

What specific features and benefits make this annuity suitable? How will it meet the client's needs?

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Principal protection growth potential

What features or benefits were reviewed to determine the client will have better growth potential than their current investment? Provide details of this comparison, such as comparing indexes or interest rates.

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Please provide a summary below explaining the basis of your recommendation. This explanation should include **client-specific and policy-specific details** that support the items checked above as well as any other factors that influenced your recommendation.

**If the client is replacing an existing annuity policy**, the summary should also describe the existing policy. Be sure to explain why the existing policy cannot meet the client's needs and why the proposed annuity is a better choice. Be as thorough and comprehensive as possible. If more space is needed, please continue on the next page. If an additional page is used, the client should initial the additional explanation pages. **Failure to provide a complete statement may result in processing delays.**

Principal Protection, potential for higher returns and payout and lower fees.

What data was reviewed to determine the proposed annuity will have the potential for higher returns and payout? What is the payout in the existing account compared to the proposed annuity? Disclose the fees in the existing investment and compare to the fees in the proposed annuity.

**What makes a complete statement for the Basis of Recommendation?**

- Address why the client is making this change in investment. What circumstances have changed that their current investment no longer meets their needs?
- Address any items that may contradict each other. Common examples include a time horizon less than the surrender charge period and purchasing an income rider with a short time horizon.
  - If the time horizon is less than the surrender charge period, is there a feature of the annuity that will be exercised? If they are purchasing an income rider with less than a 10+ year time horizon, explain how they will benefit from paying for a lifetime income rider they don't plan to keep for their lifetime.
- Include all the reasons why you have recommended the annuity being purchased. Be sure all factors that were checked in Question 26 are addressed in the written statement. If all factors are not addressed, the suitability team may follow up.
- The explanation should address specific features or benefits of the proposed annuity that is not available in their existing product and will benefit the client. Generic statements may result in follow up by the suitability team.
- The explanation should be client-specific and align with the recommendation. Each policy and client are unique and the written statement should reflect that. Generic statements that are copied from one application to the next should not be used.

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**Additional considerations if there is a replacement:**

- If the reason for replacement is Higher Interest Rates, provide and compare the existing interest rate and duration to that in the proposed annuity.
- If the reason for replacement is Higher Income, provide and compare the income the client would receive in the existing annuity to the income in the proposed annuity. If a deferred annuity with an income rider is being replaced with a SPIA, we would expect the annuitization quote of the existing annuity be provided.
- If a deferred annuity is being replaced for a SPIA, address why the existing annuity is not being annuitized. Please provide and compare the annuitization quote reviewed in the existing annuity to the proposed SPIA. A comparable annuitization quote from the existing annuity must be provided for all deferred to immediate annuity replacements, even if the proposed payout is not available in the existing annuity.
  - For example, if they are applying for a Life with Installment or Cash Refund, we would expect to see a Life with 10-year period certain or another lifetime payout with a guarantee. If they are applying for a 5-year period certain but their existing annuity only offers 10-year period certain, we would expect to see the 10-year quote.
- All annuities have the option to be annuitized for a guaranteed lifetime income stream, even without an income rider. If the reason for replacement is lifetime income or guaranteed income, address why this goal can't be met in the existing annuity with annuitization.
- If the client will incur a surrender charge, address how the proposed annuity will better meet the client's needs than the existing annuity. Keep in mind, AIG does not accept any replacement when the surrender charge (net of any Market Value Adjustment (MVA)) is 3% or over.

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