

Suitability Guidelines for Producers

Including a Commentary on the Role of the Producer



Company Position:

The Company is committed to meeting the needs of its customers through suitable annuity sales. All recommendations for the purchase or exchange of an annuity product should be suitable for the consumer based on information known by the producer at the time the recommendation is made. Prior to making a recommendation, the producer must make a reasonable effort to obtain relevant information from the consumers regarding their insurance needs and financial objectives.

The Suitability in Annuity Transactions Model Regulation:

[The Suitability in Annuity Transactions Model Regulation](#) was adopted by the National Association of Insurance Commissioners (NAIC) in 2010 to set standards and procedures for suitable annuity transactions. It requires insurers to establish a system to supervise recommendations so that the insurance needs and financial objectives of consumers are appropriately addressed. Read the [executive summary of the regulation](#) for details.

The Model Regulation is designed to:

1. Establish a regulatory framework that holds insurers responsible for ensuring that annuity transactions are suitable.
2. Require producer training on the provisions of annuities in general and the specific products they are selling.
3. Where feasible and rational, to make these suitability standards consistent with the suitability standards imposed by FINRA.

Role of the Producer:

Training

The producer has an important role in assisting the consumer with determining which product(s) may be appropriate for their situation. The majority of the states have adopted the NAIC Suitability in Annuity Transactions Model Regulation, in whole or in part, requiring the producer to have reasonable grounds for believing that his or her recommendation is suitable for the consumer based on facts disclosed at the time of recommendation. When giving a recommendation you should also remind the customer to discuss their annuity purchase with their tax advisor or legal professional.

All producers are required to complete:

1. A one-time four-hour CE training course on suitability in those states that have adopted the regulation.
2. Athene product specific training in [all states](#) prior to soliciting an application.

In most instances, a careful analysis of the information provided will allow the producer to make a clear determination as to whether or not the purchase or exchange of an annuity is suitable based on the consumer's needs. On occasion, a suitability determination will be more difficult and it is the responsibility of the producer to exercise good judgment and document the basis for the recommendation. If the producer determines that the purchase or exchange of an annuity product would not assist the consumer in meeting their insurance needs and financial objectives, the annuity should not be recommended and that should be documented, as well.

Submit Athene Suitability Confirmation Worksheet

When a producer submits a new application package, Athene requires the submission of its suitability form, "[Customer Identification and Suitability Confirmation Worksheet](#)", [form 17341](#). It must be completed with the consumer at the point of sale. The form is an information gathering tool that documents the consumer's suitability information provided to the producer. It must be accurate, complete and signed by both the producer and the consumer to affirm the purchase is suitable and appropriate based on the consumer's insurance needs and financial objectives. Athene will require the consumer to initial and date any changes made to the suitability form.

For applications signed in Florida, Athene requires the submission of the "[Annuity Suitability Questionnaire](#)," [form 55444](#).

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To meet the Athene's guidelines, state regulations and the 2010 NAIC Suitability in Annuity Transaction Model Regulation, the producer must:

Determine the consumer's financial situation and goals

- Obtain information on the consumer's personal situation, such as age, employment and tax status.
- Gather information on current finances, including income, net worth, liquidity and expenses.
- Discuss financial goals, future needs and concerns with the consumer's current financial position.
- Discuss how this annuity will help the consumer meet their insurance needs, objectives and risk tolerance.
- Understand the sources of funds (CD, other insurance products, investments, etc.) for purchasing the annuity.
- If a consumer refuses to provide information requested on the Athene Suitability Confirmation Worksheet, discuss with them why Athene is requesting this information. It is important for Athene to get complete and accurate information to ensure 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 consumer still refuses to provide the requested information, Athene will be unable to accept the application.

Review the types of insurance products available

- If you determine that an annuity is a suitable recommendation, carefully choose the appropriate product(s) and the appropriate dollar amount(s) to place in the annuity.
- Explain how the annuity would meet the consumer's objectives.
- Make sure all recommendations correspond with suitability guidelines. The consumer should clearly understand the product's features and benefits, as well as any associated charges, fees and costs.

Keep documentation

- The producer must recommend the purchase of the annuity to the consumer.
- Keep copies of all information collected, including notes, correspondence, etc., even if you don't recommend a new annuity for the consumer.
- Keep all references to product and product features presented, materials provided and disclosures signed.
- Be prepared to explain how the product solicitation was completed and why the particular product was selected.
- In the case of a replacement, be able to demonstrate that the new annuity purchase is in the consumer's best interest, after applicable surrender charges, fees and loss of benefits are taken into consideration.
- Be prepared to provide copies of these documents to the Company and/or state regulator in a timely manner if requested.
- All producers are required to list any existing insurance policies they have sold to the customer who is applying for the Athene annuity product.
- For California, all customers are required to answer if they are purchasing this annuity in order to qualify for means tested government benefits.

Suitability Review Process:

The objective of the Suitability Review Team (SRT) is to review applications to ensure appropriate documentation exists to support the recommended sale. The Athene review process is designed to ensure compliance with the Suitability Model Regulation and state regulations by determining if the producer has a reasonable basis for making the recommendation. Some situations may require us to gather additional information to complete our review of the file.

Producers can help the suitability review process move more smoothly by explaining the recommendation in an individualized cover letter submitted with the application and fully cooperating with any requests for additional information. Examples of such situations may include, but are not limited to:

- The funds being used to purchase this annuity, plus the Accumulated Value of existing Athene annuities, represent more than 50% of the consumers' net worth.
- The benefit for the consumer to transfer their assets from another carrier to Athene is unclear based on the information provided.
- The consumer is replacing an annuity and forfeiting an income rider with a higher value than the surrender value. A client letter may be required.
- The consumer has minimal liquid assets set aside for emergencies.
- "Better growth potential" being the only reason for replacement without providing additional information such as the

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interest rate, cap or participation rate on the proposed replaced contract.

- Long Term Care (LTC) benefits cannot be listed as a reason for purchasing an Athene annuity contract.
- The expenses of the consumer are greater than their income.
- The consumer is replacing a contract with a higher death benefit value.
- Surrender charges or penalties will be applied by the replaced company at the time of transfer
- Internal replacements.
- The use of “uncapped” terminology to support the sale, without additional disclosures of any limitations. [Read Bulletin 14-02](#) from the Iowa Insurance Division for details.

You and your customer should be aware that Athene may randomly contact the customer as a part of our suitability review.

There are situations that may result in a decline and an Athene contract will not be issued. Examples of those situations may include, but are not limited to:

- Applications for annuities that will be funded through a mortgage-related transaction.
- Solicitation of an annuity in states that expressly prohibit their residents from purchasing outside their state of residence, regardless of the circumstances. Athene does not allow such sales in the following states: **Arkansas, Massachusetts, Minnesota, Mississippi, Utah, Washington and Wisconsin.**
- Substantial surrender charges or penalties on the replacement of an annuity.
- Any net surrender loss in the states of California and Minnesota.
- The consumer has less than three months of expenses covered by liquid assets.
- A lack of information to support the sales recommendation.
- Contact with the customer indicates a lack of awareness about the sales transaction in general.
- Inconsistent information received from the producer or consumer or on the documentation submitted.
- Replacement of an annuity issued within the preceding 24 months.
- Sales by surrogate producers.
- In California, purchasing the Athene annuity in order to attempt to qualify for means tested government benefits.

Replacements

Replacement questions to consider:

- Will there be a surrender or withdrawal charge associated with the replacement?
- If there is a surrender charge associated with the replacement, will the benefits of the replacement justify incurring the surrender charges on the existing policy and/or starting a new surrender charge period?
- Does the existing policy have features or benefits not available with the new policy?
- Does the new policy have features or benefits not available with the existing policy?
- Is there an outstanding loan on the existing policy? If so, how will this loan be repaid prior to the replacement?
- Is the consumer taking interest income, required minimum distributions, or 72(t)/ (q) distributions from the existing policy? If so, how will these issues be addressed with respect to the new policy?

Submit Product Comparison Worksheet (Not applicable in New York)

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 \(PCW\)](#), or the [product specific PCW](#). It is a side-by-side form that compares key product information of the annuity being purchased and replaced. In addition, the reason for the replacement should be personalized for each consumer 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 annuity or life insurance policy that will be replaced with the PCW. Our SRT may contact the producer to obtain additional information in order to complete our suitability review.

For applications signed in Florida, Athene requires the submission of the [Disclosure and Comparison of Annuity Contracts, form 55445](#).

New York Regulation 60

Adopted by the New York Department of Financial Services, Regulation 60 is intended to protect consumers from

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unsuitable internal or external replacements of existing life insurance or annuity contracts.

If you have conducted a thorough review of your client's needs/objectives and believe a replacement would help meet those needs/objectives, there are a series of steps you and your client must take, and forms that must be completed, before a new contract can be issued. It is essential that each form be completed in its entirety, signed and dated in order for a new contract to be issued. All necessary forms can be found on [Athene Connect](#).

We have prepared a New York Regulation 60 Training Guide, form [20892](#), to give you a clearer understanding of the current standards and practices outlines in Regulation 60.

Summary

It is required that every recommendation you make be suitable for the consumer. A decision to recommend an annuity should be based on a careful analysis of the information gathered from your client. By making sure your clients understand the features, benefits, risks, and costs associated with the annuity, you can help ensure customer satisfaction and protect your practice.

Athene is here to help

The Athene Sales Desk is happy to discuss the suitability of a potential sale with you. While we cannot make a suitability determination over the phone, we can discuss the case and let you know of any questions or concerns we may have based on the information you share. Simply call the Sales Desk during normal business hours or visit the Athene producer website.



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