

Frequently Asked Questions

Phoenix Annuity Suitability



PHOENIX
A NASSAU RE COMPANY

Phoenix is strongly committed to complying with regulatory requirements and upholding ethical business practices. Accordingly, Phoenix has implemented a suitability review process and created guidelines designed to identify and discourage the inappropriate sale of our products. Phoenix will review incoming applications and monitor pre/post issue activity to ensure compliance with suitability standards, state regulations and company policy. A violation of these guidelines may result in the suspension and/or termination of the producer's right to sell Phoenix products and reporting by Phoenix to appropriate regulatory and other authorities.

Why is a Suitability Questionnaire required?

Most states have adopted a version of the 2010 Suitability in Annuity Transactions model law passed by the National Association of Insurance Commissioners (NAIC). This law mandates that all insurance carriers must perform a suitability review on incoming business in order to ensure compliance with regulatory standards. Our suitability review team uses the information provided on the Suitability Questionnaire to determine if the product is suitable for your clients based on their financial situation and objectives.

Why is the Customer Identification Verification form required?

This form is required to comply with the USA PATRIOT Act, and the Phoenix Anti-Money Laundering Program.

TIP: Section B is often overlooked. We require your client's current or, if retired, former occupation.

If my client plans to use proceeds from an existing life insurance policy or annuity contract to purchase a Phoenix annuity, should my client surrender the policy or contract prior to submitting their application?

No. Your client should never surrender an existing life insurance policy or annuity contract prior to applying with Phoenix.

If my client already surrendered a life insurance policy or annuity contract, placed the proceeds in a checking or similar account and is now using those funds to purchase an annuity, is that considered a replacement?

Yes. If your client is using proceeds from a previously surrendered life insurance policy or annuity contract to purchase a Phoenix annuity, it is considered a replacement, even if those funds are held in a checking or similar account. In this situation, the Suitability Questionnaire must indicate that the source of the premium is a life insurance policy or annuity contract, not a checking or similar account, even though the surrender occurred prior to this purchase.

Most of my paperwork has been approved, can you send out the transfer paperwork now?

No. Transfer paperwork will not be submitted to the existing carrier until all paperwork is in good order. We hold the transfer request until all relevant departments have reviewed and accepted the submission.

Does Phoenix provide suitability guidelines?

In addition to this document, Phoenix provides the following materials regarding the suitability process:

- *Company Position on Suitability*
- *Suitability Questionnaire*
- *Suitability Product Training*

Since suitability review is a multi-step process, there is not a definitive list of rules that can be followed. However, we will contact the producer if additional information is needed.

Are there specific applications that Phoenix will not consider?

Yes, Phoenix will not consider an application if:

- You have not completed the required training.
- The Suitability Questionnaire is incomplete.
- You have not recommended the product.
- The source of premium is derived from a mortgage, reverse mortgage, personal loan or home equity line of credit.
- The existing contract being replaced is less than 24 months old.
- The existing contract being replaced is less than 36 months old and the same producer who sold the existing contract is also selling the replacement contract.
- Your client resides in a nursing home, has any form of cognitive impairment, or has been diagnosed with a terminal illness.
- Your client will incur excessive surrender charges when replacing an existing contract.
- Phoenix will not accept any application for a deferred annuity if the purchase is intended to qualify an individual for Medicaid, VA benefits, or any other similar state or federal aid program.
- Phoenix does not permit the sale of its products in connection with a Personal Service Contract.

When does Phoenix require training?

Phoenix requires product training for all producers prior to solicitation. This must be done through LIMRA PinPoint using the link on PhoenixSalesNet. PinPoint is our web-based program which allows you to take the Phoenix product training, purchase the NAIC Suitability in Annuity Transactions course for your state (if required), and order CE courses for your license. NAIC training requirements vary by state.

What are some additional requirements I may need for a case?

- If replacing an existing contract that was issued less than 36 months prior to the date the application was signed (60 months in CA and MN), you need to submit a copy of your client's most recent annual statement.

- If the client is age 75 (65 in CA) or older, you need to submit a copy of your client's most recent annual statement.
- If replacing a life insurance policy, we require a zero-pay illustration and the most recent annual statement.
- If the existing annuity contract has an income rider, you must provide:
 - An explanation of the rider benefits and limitations
 - Current benefit base value
 - Roll-up/step-up information
 - Withdrawal percentage by age
 - Annuitization payout factors by age if rider requires Annuitization
- If you have indicated on the Customer Identification Verification form that you did not meet face to face for the sale of this annuity, you must submit a valid copy of a state issued identification.
- If your client intends to use the annuity as a 72(t)/(q) vehicle, please supply your own calculation and quote of the withdrawal amount.

Why are liquid assets important?

Since the annuity is a long term, illiquid investment, clients should have sufficient liquid assets after purchasing an annuity to cover any changes to their income, expenses, or medical care.

The following are guidelines for minimum acceptable Liquid Asset levels by age:

Ages	Minimum Liquid Assets
0 – 64	At least 6 months of expenses covered
65+	At least 12 months of expenses covered

What is considered a liquid asset?

A liquid asset is an asset that can be accessed in a short period of time without incurring a penalty or loss of principal, such as

- Checking/savings/money market funds
- Penalty free CDs
- Stocks/bonds/penalty free mutual funds
- Cash value of life insurance policies or annuity contracts beyond their surrender charge period
- Qualified plans if your client is over 59½ and not actively employed

What is not considered a liquid asset?

- The premium being used to purchase the Phoenix annuity
- Free withdrawal amounts from existing annuities that are still within the surrender charge period
- Qualified retirement plans if your client is under the age of 59½
- Qualified retirement plans if your client is still actively employed regardless of age
- Personal property.

What penalties should be disclosed when my client surrenders or transfers an existing contract?

Any loss of value or penalty assessed to your client as a result of the surrender or transfer (replacement) must be disclosed. These penalties may include surrender charges, bonus recapture charges, market value adjustments and other charges. They must be disclosed on the Suitability Questionnaire.

What if my client is a Non-US Citizen?

All contracts issued to Non-US Citizens are handled on a case by case basis. Our Corporate Compliance Department determines whether the contracts are issued based on the results of enhanced due diligence performed in accordance with Phoenix's Anti-Money Laundering Program. For a Non-US Citizen who is a Non Resident Alien to purchase a contract, it must be owned by a US based trust and the funds must be in US dollars held in a US financial institution.

What do I need to submit if my client is a Non-US Citizen?

Non-US Citizens who are Non-Resident Aliens:

1. Copy of passport
2. Address in the country of permanent residence
3. Occupation, employer name and address. If retired, most recent employer and address

Non-US Citizens who are permanent residents:

1. Copy of permanent resident card (Green Card) front and back
2. Driver's license
3. Occupation, employer name and address. If retired, most recent employer and address

Phoenix reserves the right to request additional information.

What happens if my case is declined?

Phoenix will send you a formal denial letter via USPS. The letter will include a refund if a check was submitted with the application. A copy of the letter will also be sent via email.

Once my case is declined, what are my options?

You may contact us; however, Phoenix will not reconsider any case unless new, material information is provided.

For the sale to be considered suitable, do I need to recommend the sale to my client?

Yes. Phoenix will not accept an application for a product that you did not recommend.

Consider the following when making a recommendation:

- What are your client's primary financial objectives?
- How will this purchase help your client meet his/her financial objectives?
- What are your client's main financial concerns?
- How will this purchase help your client address his/her financial concerns?

- Will there be any adverse tax consequences as a result of this transaction?
- Will this annuity provide substantial benefits to your client over the life of the contract?
- Does your client understand the limitations and/or restrictions on receiving benefits from the annuity?
- Does your client understand the fees and charges that may be applied to the annuity?

Who can I contact if I have questions regarding suitability?

If you have a question regarding a case or need to provide additional information, contact the Suitability Team via email at suitability@nsre.com. If you are checking the status of a submitted case, you can speak to a representative in Phoenix's customer service center at 800-417-4769 option 2, option 2.

For Producer Use Only. Not for use with the general public.

Guarantees are based on the claims-paying ability of the issuing company.

Phoenix Life Insurance Company (East Greenbush, NY) and PHL Variable Insurance Company (PHLMC) (Hartford, CT). PHLMC is not authorized to conduct business in New York and Maine.

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