

## **Index Annuities Frequently Asked Questions**

**Q: Why is AIC requiring that Indexed Annuity transactions be done in-house?**

A: The regulatory environment is dictating that AIC require all indexed annuities be transacted through the firm. The NASD issued a notice to the broker/dealer community advising that firms must make a determination. As a matter of best practice, indexed annuities should be supervised similar to securities. This requires AIC to place these transactions on the firms' books and records and be supervised accordingly.

**Q: Must I transact all fixed insurance business through AIC?**

A: No. Only indexed annuity business must be transacted through AIC's approved Indexed Annuity marketing organizations or directly through the carrier if contracted directly with AIC, as is the case with companies such as Jackson National. All other fixed insurance business may be done as outside business activity once approved by AIC.

**Q: Does this mean that all of my Indexed Annuity business will go through AIC and its approved independent marketing organizations (IMOs)?**

A: Yes, currently AIC has two approved marketing organizations for Indexed Annuities, Aptus Marketing and Westland Financial Services.

**Q: Will I still be able to sell all the companies and products that I am selling now?**

A: Only those companies and products on the AIC Indexed Annuity Approved List may be sold after July 1, 2007. AIC has selling agreements with top annuity companies that offer quality indexed annuity products. Please refer to the approved list of insurance companies and Indexed Annuities products.

**Q: How did AIC determine the companies and products on the approved list?**

A: Companies and products underwent a due diligence process that took several factors into consideration, including financial strength ratings from nationally recognized agencies, overall product offering as well as business and marketing models. From an individual product standpoint, the products must meet our product approval criteria.

**Q: How did AIC arrive at the 10/10/9 product approval criteria?**

A: These criteria meet NASD standards and are in line with industry standards within the broker/dealer community.

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### **Q: What are the 10/10/9 product approval criteria?**

A: Products that do not meet the criteria below will not be approved for sale:

- The Contingent Deferred Sale Charge (CDSC) period cannot exceed 10 years and the contract must have an option to liquidate after 10 years.
- The CDSC cannot exceed 10%.
- The Gross Dealer Concession (GDC) to AIC cannot exceed 9% (95% of GDC will be paid to the advisor). AIC will make every effort to negotiate higher than street compensation rates so that net advisor compensation will be equal to normal street level rates.
- The contract must allow for a minimum of return of premium at death in the form of a lump sum.

### **Q: How do I process this business through AIC?**

A: Indexed Annuity business should be processed similar to variable annuity business whereby, the necessary paperwork once approved by an AIC principal, it is sent directly to the insurance company or Independent Marketing Organization (IMO). As is the case for other direct business, advisors must report Indexed Annuity transactions on their Blotter as well as follow other direct business policies and procedures.

### **Q: How will I get compensated on these transactions?**

A: Commissions will be paid through the AIC commission system just as other variable annuity and insurance products. The payout will be 95% of the GDC.

### **Q: May I continue to receive trail commissions?**

A: You may continue to receive trails on Indexed Annuity business written through a company prior to July 1, 2007 directly from that company.

### **Q: Will I make less commission going through AIC since AIC will take 5%?**

A: No, in most cases and with most companies, you will end up with the same NET commission after AIC retains 5%. In fact, there are some carriers that we hope to negotiate a higher-level contract, which could result in an increase in net commissions paid to you. Possible exceptions to this may occur whereby you may experience reduced commissions if you conduct business with carriers that we have not been able to negotiate a higher than street GDC.

### **Q: Can I continue to work through my third-party marketing organization?**

A: Yes. You are free to continue non-Indexed Annuity sales through your existing contacts for those carriers that allow dual appointments. You may want to consider the fixed and insurance products and services offered through Aptus Marketing and Westland Financial Services as these transactions will count toward AIC production levels. Both IMOs will coordinate transition of any appointment you may have.

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### **Q: Why were Aptus and Westland chosen?**

A: AIC has had a long-standing relationship with both Aptus Marketing and Westland Financial Services. Their services and practices meet our standards from both a marketing and compliance perspective.

### **Q: Can I continue to receive awards, prizes and incentives for selling Indexed Annuities?**

A: Since AIC is requiring that indexed annuity activity be transacted through the firm, our cash/non-cash compensation policies will include indexed annuity activities. Therefore, certain types of awards that you may have previously received directly from the insurance carrier may no longer be available. Please review AIC's non-cash compensation approval procedures.

### **Q: May I advertise Indexed Annuities to my clients/prospects?**

A: Indexed Annuities will fall under the same advertising requirements as other activity conducted through AIC. Therefore, all indexed annuity advertising and sales literature must be reviewed and approved by Compliance prior to use.

### **Q: What sort of services and support will I have available through AIC?**

A: Product inquiries, case design, licensing/appointments and transaction procession will all be handled by Aptus Marketing or Westland Financial Services.

### **Q: Are there any restrictions regarding exchanging indexed annuities?**

A: Indexed annuity exchanges are subject to the same limitations as variable annuities as outlined in the VA policies and procedures. Each transaction whether or not with a surrender charge will be subject to suitability review. If suitable, transactions should be approved, but close scrutiny will be higher when the source of funds is from an exchange or from the sale of a security.

### **Q: What Forms does AIC require for Indexed Annuities?**

A: In addition to completing the normal required insurance company forms, AIC requires that the Client Indexed Annuity Disclosure form be completed with each transaction and approved by a Principal/Supervisor. At times a switch letter or letter of understanding will be required to fully document a transaction.

## **Equity Indexed Annuity Licensing and Appointment FAQs**

### **Q: If I am contracted with an outside Independent Marketing Organization (IMO) will I have to terminate that contract?**

A: This depends on the carrier. Most carriers will allow you to continue placing your fixed annuity and life business through that contract. There will be a few carriers that will not allow the dual contract. To find out which carriers allow multiple contracts, please call Aptus Marketing at (877) 614-9090 or Westland Financial Services at (800) 238-8144.

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**Q: If I am currently appointed with an IMO and I need to transfer my contract, will I be subject to the “six-month transfer rule”?**

A: Again, the “six-month transfer rule” can apply depending on the carrier. We are working closely with carriers to make this a smooth transition to allow you to continue your business as usual.

**Q: Will I need to be reappointed under AIC/Aptus/Westland?**

A: Yes. If you hold an appointment with an IMO firm or if you have a direct appointment with an insurance carrier, you must complete new appointment paperwork.

**Q: Will this be a separate appointment from what I currently hold?**

A: In some cases, yes, this may be a separate appointment if you are contracted with a carrier that considers this a separate appointment.

**Q: Where can I find the appointment paperwork?**

A: Please contact Aptus or Westland directly. They will either send or e-mail you the necessary forms or give you access to their online appointment processing system.

**Q: How will we know which carriers are approved by AIC?**

A: There is a list of approved carriers and products distributed with this document. They will also be posted on our company website. In addition Aptus and Westland have a current list at all times.

**Q: Can I service contracts that were sold prior to July 1, 2007, that AIC does not have a selling agreement with?**

A: Yes, you may continue to service contracts sold prior to July 1, 2007.

**Q: Can I still receive trails on contracts that were sold prior to July 1, 2007?**

A: Yes, you can still receive trails from contracts that were sold prior to July 1, 2007 directly from your prior relationships.

**Q: What can I do with any credit that I have accumulated from my current marketing organization?**

A: You may use the credits that you have accumulated with your current marketing organization. Credits used prior to July 1, 2007, will not be subject to AIC’s cash/non-cash compensation guidelines. If credits are utilized on or after July 1, 2007, the benefit received must meet AIC cash/non-cash compensations guidelines.