



## **Policies and Guidelines for Indexed Annuities**

**Effective July 1, 2007**

In August 2005, the NASD issued Notice to Members 05-50, which outlines the responsibilities of broker/dealer member firms to supervise “sales activities” of unregistered Indexed Annuity products. Indexed Annuities have also become a major focus for regulators and we have witnessed a sharp increase in customer complaints, arbitrations and civil litigation throughout the industry surrounding the sale of Indexed Annuities. While we know that it is impossible to insulate ourselves from this risk, we can put in place guidelines and procedures to limit the sale of Indexed Annuities that have features currently under fire by regulators. After careful consideration and recent events, American Investors Company is setting the following new guidelines effective July 1, 2007.

- ⇒ All Indexed Annuities will be limited to carriers and products approved by AIC.
- ⇒ AIC has selling or marketing agreements for many products through top-quality annuity carriers. Included in this mailing is an initial list of approved carriers and products. We will be adding other products in the near future.
- ⇒ Indexed Annuity business will also be subject to non-cash compensation rules which include; sales-based incentive trips, bonuses and prizes that are historically offered by Insurance carriers and/or third-party marketing firms.
- ⇒ All Indexed Annuity transactions must be reported on the Branch Trade Blotter.
- ⇒ An **Indexed Annuity Client Disclosure Form** must be completed with every transaction and signed by client(s) and advisor. Source of funds and reason for the sale must be identified for all Indexed annuity transactions
- ⇒ The Indexed Annuity Client Disclosure form, together with all necessary insurance company applications, disclosure forms, payment and other supporting documents must be forwarded to supervising principal for approval.
- ⇒ The Principal will review the sale for suitability and sign the Indexed Annuity Client disclosure form indicating approval.
- ⇒ If approved, the principal will forward the documents to the insurance company or a third party marketing organization with a full set of copies to the home office.

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- ⇒ When any portion of the funding source is from a 1035 transfer or from the sale of a security product, greater scrutiny for suitability may be in order. At times a separate letter of understanding, signed by the advisor and client, may be requested to ensure that you and the firm are better protected against future claims.
- ⇒ Effective July 1, 2007, if you are selling Indexed Annuities with which AIC does not have a selling agreement, you will no longer be able to sell those products. Doing so could lead to immediate termination.

### **Licensing and Agent Appointments with Indexed Annuity Carriers**

This change in policy will require that you become re-appointed with indexed annuity carriers through Aptus Marketing or Westland Financial Services unless the indexed annuity carriers and their approved products are contracted directly with American Investors Company, as is the case with Jackson National.

You may already be appointed with some of our approved indexed annuity carriers and most of these offer dual appointments, but some may not. You should be aware that some carriers can subject you to a six-month transfer period.

#### **Where to Call for More Information:**

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***Also See Frequently Asked Questions for More Information***