

# Guide To Professional Conduct



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Transamerica Life Insurance Company  
Transamerica Financial Life Insurance Company  
Transamerica Casualty Insurance Company



Building your business is about creating meaningful, life-long relationships with your clients. The customer comes first. At Transamerica, we share this commitment. Your trust, and the trust of your clients, is the cornerstone of our business.

Part of that commitment is following ethical and compliant sales practices. Not only is it the right thing to do, it's good for business. That's why we've adopted the Guide to Professional Conduct for Producers and Employees. And because we're committed to helping you follow these principles in your daily sales practice, we've created this brief guide to make it as easy as possible.

Beyond complying with all laws and regulations governing insurance sales practices, we believe following high standards of market conduct empowers us to exceed customer expectations. Why? Because it strengthens our competitive advantage and enables you to focus on what's important — developing relationships with your clients and providing them with appropriate products and services. It's what you want. It's what we expect.

Please read this guide carefully and refer to it regularly. If you have questions about this guide or related market conduct matters, please contact your supervisor or our company's legal or compliance departments. Please join us in applying these principles and standards in your daily conduct.

Our Company is committed to the following ethical principles in the sales of life insurance, long-term care insurance, health insurance and annuities to individuals:

- Conduct business according to high standards of honesty and fairness and to treat our customers as we would expect to be treated.
- Provide competent and customer-focused sales and service.
- Engage in active and fair competition.
- Provide advertising and sales materials whose content is clear, honest, and fair.
- Handle customer complaints and disputes fairly and promptly.
- Maintain a system of supervision and monitoring that is reasonably designed to demonstrate the company's commitment and compliance with these principles.

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This Guide has been written for Financial Professionals and Distributors involved in the sale of our insurance products. The terms “Company”, “Insurance Company”, “we”, “us”, or “our” used in this Guide refer to the life insurance company(ies), listed on the front cover.

# Ethical Sales Practice Guidelines

*Ethics can be described as a set of social boundaries or standards typically viewed by others as appropriate or acceptable behavior.*

Behaving in an ethical manner is critical. Although your personal ethics are impacted by your individual experiences, certain standards or concepts should be common to the ethics you display.

- Educate yourself about your responsibilities as a financial professional and make compliance your priority.
- Only offer products you are authorized to distribute. Make sure you are properly licensed and appointed in the right state(s).
- Always put your customer's needs and objectives before your own. (See section on Meeting the Needs of Clients)
- Avoid misleading or deceptive designations or professional titles that indicate or imply that you have special certifications or training.
- Clearly identify yourself as a licensed insurance agent and identify the company you are representing.
- Disclose to your customer the product you are offering is issued by an insurance company and that you will receive compensation for the sale.
- Follow a thorough fact-finding and needs-analysis process to understand the client's insurable needs and financial objectives.
- Use only Company-approved sales materials when discussing Transamerica products.
- Use words, terms and symbols that accurately describe the features, benefits, and limitations of the products you are licensed to sell. Avoid incomplete, misleading statements, or prohibited words.
- Abide by all legal, compliance and operational guidelines.
- Avoid giving tax and legal advice.
- Do not give financial planning advice unless you are properly licensed.
- Compete fairly by avoiding disparaging comments about other financial professionals, firms, insurance companies, or their products and services.
- Do not use sales tactics which are designed to scare or frighten customers.
- Seek to educate customers regarding the products that may meet their needs.
- Do not borrow money from or lend money to a customer. This also includes depositing customer funds into your personal bank account(s)

## Practice GOOD Judgment: Avoid Giving Tax and Legal Advice

Avoid giving tax or legal advice. You may unknowingly expose yourself and your employer to claims of negligence or malpractice or discipline for unauthorized practice. While you may discuss the general tax treatment of the products you offer to clients, do not offer tax advice for their specific tax circumstances or provide legal advice unless you are qualified and authorized as a professional tax or legal advisor and disclose that you are acting in that capacity.

# Qualified and Trained Distributors

## Licensing and Appointments

*Prior to selling any product issued by an insurance company, it is necessary to obtain the appropriate insurance licenses and appointments.*

### Licensing

Insurance licensing and appointments are governed by the insurance rules of each state. Once you have taken and passed the required tests in your home state, you will be issued a resident license. You must apply for a non-resident insurance license in additional states, in order to conduct business in those states. States differ in how they categorize lines of business appearing on the insurance license. For that reason, you must make sure your license covers the lines of business you wish to sell within each state. If you sell variable products, you must also be securities licensed with Financial Industry Regulatory Authority, Inc. (FINRA) and be a registered representative of a broker-dealer authorized to sell the product.

### Appointment and Background Checks

Once you have passed your licensing tests, you must submit an application for appointment to the Insurance Company offering the products you wish to sell. You may be asked to complete an appointment form that asks, among other things, questions regarding your background such as, "Have you ever been the subject of a customer-initiated complaint?" It is important that you answer all questions truthfully and thoroughly and provide details as requested. The Company also conducts a background investigation on each financial professional. When your appointment has been fully processed and background investigation completed, you will be notified that you may begin to sell the Company's products. Before acting as a financial professional, you must wait until the official effective date of your license. This includes soliciting, advertising, taking applications, or collecting premiums.

You should be aware that failure to carefully follow licensing and appointment procedures may result in sanctions by the Company, your agency, and/or regulatory agencies.

### Be Licensed and Appointed in the Right State for Out-of-State Business

In most cases, financial professionals must be properly licensed in the state where the applicant or proposed policy owner resides. In some situations, a financial professional may solicit an application from an individual or entity outside their primary state of residence. Examples might include individuals with a seasonal residential address in the producer's state or an out-of-state corporation or trust that has a bona fide location in the producer's state. Be sure to check the company's guidelines for out-of-state situations or any special documentation requirements.

# Qualified and Trained Distributors continued...

## **Maintain and Renewal Your License to Continue Sales**

All states require periodic renewal of insurance licenses. It is your responsibility to ensure that you meet all qualifications necessary for renewal, including any continuing education requirements imposed by the state. If the Company receives notification from the state that holds your resident license that your license has not been renewed, your appointment to sell the Company's products will be suspended, revoked, or terminated for all states with whom you are appointed. If, however, your license is not renewed for a state where you have a non-resident license, only the appointment with that state will be terminated.

### **Getting help from Non-Licensed Office Staff**

There are some things only you should do for your prospects and clients. Don't let a staff member act as a producer – by phone, in person, or otherwise – without a license. As a producer, you may be guilty of producer-licensing violations if you let an unlicensed person:

- Take applications for insurance.
- Deliver insurance policies.
- Discuss or explain the terms or features of a policy.
- Conduct a seminar or meeting to solicit an interest in insurance or generate leads, regardless of whether it's intended for education or some other purpose.
- Quote rates, present illustrations, or perform any other acts considered "solicitation" (varies by state.)

# Qualified and Trained Distributors continued...

## **Training and Education**

*Financial professionals are expected to be properly trained and educated. This builds competency and is critical to helping your customers meet their needs.*

Education and training starts with any necessary pre-licensing/licensing education, required to obtain or maintain insurance or securities licenses or registrations. You must understand what training is required of you and ensure it is completed in a timely manner. Some states also require specific training prior to the sale of long-term care insurance or annuities. Many times this is in addition to typical Continuing Education requirements and is only needed if you intend to sell these specific products. Most, if not all, state insurance regulators, as well as FINRA, maintain websites which outline the required educational obligations you have as a licensed insurance agent or registered representative.

You should also consult with your employer to identify additional training(s), if any, they require prior to selling or soliciting. This may include specific training on their prescribed sales processes, systems, forms, money laundering or their prescribed needs analysis process.

## **Use of Professional Designations**

Today the insurance industry provides countless educational opportunities. You can further your knowledge by participating in industry associations or by pursuing professional designations from an accredited university, college, or professional society. The use of improper and/or misleading professional designations and credentials is prohibited, as are designations that imply a level of education, experience, or training that the producer does not have.

**Put it into Practice - Professional designations that convey an expertise in senior investments or retirement planning.**

Selling to senior citizens may require special care and diligence. Care should be exercised in using a professional designation or credential that implies an expertise in senior investments or retirement planning. When determining if a designation or credential implies special expertise in this area, carefully consider any word such as "senior," "retirement," or "elder," when combined with words such as "certified," "chartered," "advisor," "specialist," "consultant," "planner," or similar words. Be sure to present yourself and your credentials honestly.

# Qualified and Trained Distributors continued...

## **Ethics and Compliance Training**

Ethics and compliance training are two areas you cannot overlook. The Company, or your agency or securities firm, may provide materials or programs to you directly or tell you where to get them. It is your responsibility to learn and understand the ethical principles, applicable laws and regulations, and the Company's procedures.

There are several ways you can meet insurance-related ethical and compliance training standards. These include:

- Knowing the applicable laws and regulations of the state where you do business, along with the Company's procedures and the forms it requires. Depending on the state and the type of business involved these laws and regulations might include topics such as replacement sales, sales illustration requirements, special disclosure requirements such as those used for sales to senior adults, underwriting requirements, licensing, claim and complaint handling requirements, or other matters.
- Following all applicable FINRA and Securities and Exchange Commission (SEC) rules if you offer variable products. Also, carefully follow the compliance procedures and manual of your securities broker/dealer.
- Reading, reviewing, and following the Company's compliance bulletins and manuals.
- Studying this booklet.
- Completing a formal insurance course or program in ethics.

## **Product Training**

As an Insurance Company, we make available several means by which financial professionals can learn about our products. This includes sales materials that outline product features, benefits and costs; web based training modules; as well as access to staff who can respond to questions regarding our products and how they work. To ensure you are prepared to assist your customers, it is important that you review these materials and take advantage of these training opportunities. You may be required by state law to complete one or more of the product-specific training modules offered prior to recommending long term care insurance or an annuity to your customer. Failure to complete this training can result in applications being delayed or rejected. Your knowledge of the product is critical to making suitable recommendations and assisting your customers in understanding the product you are recommending.

# Meeting the Needs of Clients

*Base your recommendation on the Client's Insurable Needs and/or Financial Objectives.*

The Company offers products designed to help clients meet their insurance and financial needs and objectives. We encourage the independent firms and producers who sell the Company's products to base their recommendation on the client's insurable needs or financial objectives. You must follow your firm's policies and procedures in this regard.

As a financial professional it is your responsibility to know your client. Put your client's interest first. This means focusing and learning about their needs and objectives. Getting to know the client requires asking questions and becoming familiar with their financial status and circumstances, investment objectives, and insurance needs. Understanding the client's circumstances allows you to rule out certain product types as well as levels or amounts of insurance that may be inappropriate. Depending on the product being recommended, factors to consider may include the following:

- Financial status and circumstances: Age, occupation, marital status, dependents, annual gross income, future earnings expectations, income and estate tax status, discretionary income, assets, liabilities, budget or expenses, value of portfolio, net worth, emergency reserves, retirement savings, etc.
- Insurance needs: Amount of other insurance, health status, amount of death benefit protection or cash value for estate liquidity, mortgage, family income, education, business planning, retirement, accelerated death benefits, etc.
- Investment objectives: Liquidity needs, long or short term investment horizon, diversification, savings goals, risk tolerance, tax deferral, etc.
- Affordability of premium: Whether the client can afford the required or planned premium, and whether the client has sufficient discretionary income or assets to sustain payments over the long term without lapsing the policy.
- Customer's ability to understand your recommendation. If the customer seems confused, unable to understand due to a language barrier, or is simply unable to understand the product's features, costs, or benefits, consult with the client's family members, trusted advisor, or legal representative before recommending a product.
- Always consider any other unique or special needs that a customer may have.

## Fact Finding

- Be sure to document client's responses to fact-finding questions and keep a record of their needs, what products were discussed, what products were recommended, and the basis for the recommendation and whether or not the recommendation was followed.
- Be sure to inform the company of any changes to an applicant's health history discovered after submitting the application or at policy delivery.

# Meeting the Needs of Clients continued...

## Through Life Insurance

*Identify the need for death benefit protection.*

The need for death benefit is primary in most sales of life insurance. It is good practice to identify the client's insurable needs and financial objectives, usually including a need for death benefit protection, and to document the reasons, discussions, and the rationale for the recommendation.

You are probably acquainted with the types of insurance needs that life insurance death benefits can help address. These may include:

- Burial expenses,
- Income continuation for a spouse or family members,
- Retirement funds for surviving spouse,
- Asset protection,
- Debt coverage,
- Accelerated death benefits in the event of terminal illness,
- Business planning, and/or
- Estate taxes and estate planning, etc.

Determining the right amount of death benefit requires careful consideration. Identify and quantify any goals or needs for cash value or any pre-death goals or contingent needs for the life insurance policy's cash value. Consider benefits available from other sources, including individual or group life insurance policies, annuities, and employee benefits. Also, take into consideration whether the client can afford the required or planned premium, and whether the client has sufficient discretionary income or assets to sustain payments to avoid the policy lapsing.

If you illustrate or recommend policy loans or partial withdrawals to help meet these needs, make sure the client understands all of the associated limitations, costs, and policy charges, along with the effect on the net death benefit.

### Practice Good Judgment

When it comes to identifying and measuring a client's death benefit needs, there is no single formula that is "just right" for all circumstances for any client. What's important is that you and the client have a reasonable basis for the death benefit amount and can document how and why you and the client arrived at it.

This process helps ensure realistic expectations and client satisfaction. Your documented needs analysis also offers protection if your case is ever scrutinized in a complaint, lawsuit or death claim. It can prevent criticism or second guessing that the face amount you sold was too much or too little for the client or that the premium was more than the client could afford.

# Meeting the Needs of Clients continued...

## Through Long-Term Care Insurance

Not everyone should buy a Long Term Care (LTC) insurance policy. For some, an LTC policy is an affordable and attractive form of insurance. For others, the cost is too great or the benefits they can afford are insufficient for their needs. As a financial professional, it is your responsibility to help the client determine his or her needs insurable needs or financial objectives. A person should not buy a LTC policy if it will create a financial hardship, if they cannot afford the premium, or cannot reasonably predict that they will be able to pay the premium for the rest of their lives. Whatever the reason, carefully examine each prospective insured's needs and resources to determine whether LTC insurance is appropriate.

Whether a person should buy a LTC policy may depend on his or her:

- Age,
- Health status,
- Overall retirement objectives,
- Income and assets.

### Selling LTC Accelerated Death Benefit Riders

Using a rider attached to a life insurance policy that accelerates death benefits to cover long term care expenses is another common approach to help clients meet their insurable needs. However, you should know that these riders are subject to many of the same laws and regulations that apply to "stand-alone" LTC policies. In some states, this includes such things as:

- Specific LTC replacement regulations.
- Requiring a health or LTC license and possibly requiring special continuing education requirements.
- Requiring companies and producers to meet HIPAA privacy requirements.
- Special suitability requirements and "Shopper's Guides."
- Special advertising laws and regulations, including the requirement that all LTC insurance advertising be filed for approval in most states.

This is not an all-inclusive list of applicable LTC insurance laws and regulations; you should make sure you are fully aware of the requirements in each state in which you write business.

# Meeting the Needs of Clients continued...

## Through Annuities

*Base the recommendation on your client's financial objectives. It is important that you fully understand their needs in order to determine whether an annuity can help.*

Ensuring an annuity is suitable for your customer's needs must be a primary objective of your sales process. Not only is this a great way to conduct business, you are required by state insurance and federal securities laws and regulations to make only suitable recommendations. In compliance with these laws, your broker dealer, firm, and the Insurance Company you represent have established suitability supervision and monitoring programs.

Ensuring your recommendation to purchase an annuity is suitable for a customer begins with knowing your customer's financial status, tax status, and investment objectives. Understanding each customer's financial situation, investment experience, tolerance for market volatility, liquidity needs, and goals are critical to recommending a product that will help them achieve their objectives.

For example, deferred annuities may be appropriate for client's seeking tax-deferred asset accumulation for retirement or other long-term goals such as an income stream. An annuity may not be appropriate for someone who doesn't plan to hold on to it for long term needs. As a financial professional, you are expected to perform a complete needs analysis with each customer prior to recommending they purchase an annuity.

The information you collect as part of this process should be maintained in your client file in accordance with state and federal laws. The forms you use to document the information collected may vary depending upon the broker dealer, firm, or insurance agency you work for.

Additional information regarding our suitability supervision and monitoring program, and your responsibilities as a financial professional can be found on the Company's website.

### Helpful Questions for Client's to ask themselves before buying an annuity:

- Am I buying the annuity primarily for long term needs?
- Is there a foreseeable need to access earnings or principal during the surrender charge period?
- Do I have enough money set aside to cover living expenses, emergencies, and short term savings needs?

# Privacy and Information Security

*Protecting and maintaining the confidentiality and security of customer information is the responsibility of everyone involved.*

It is your responsibility to:

- Protect customer information from loss or compromise; and
- Promptly report any actual or suspected information security event involving loss or compromise of customer information.

As a financial professional, you will be asked to collect information from customers to better understand their needs and to share this information with us so that we may issue them insurance or annuity products. Each new customer will be provided a copy of our privacy notice either during the sales process or along with their policy. For health plans a “Notice of Health Information Practices” will be provided at time of enrollment.

It’s important that you conscientiously protect the customer’s personal, financial, and health information. That includes taking care not to disclose a client’s personal, financial, or health information to anyone other than the Insurance Company to which you are or have submitted an application to, or a Company that has already issued a product to that client. It also includes protecting personal, financial, and health information that you possess by taking appropriate steps to secure your files, both paper and electronic, and properly dispose of such private information.

**Nonpublic personal information** is virtually any information, other than nonpublic personal health information, about a consumer that a financial professional obtains. For example, nonpublic personal information includes a client’s gender, age, phone, and Social Security number, as well as such information about a client’s income or assets.

**Nonpublic personal health information** is information created by or derived from a health care provider or customer, and obtained by a financial professional that relates to:

- The past, present, or future physical, mental, or behavioral health of an individual,
- Health care provided to an individual, or
- Payment for health care provided to an individual.

Financial professionals are prohibited from disclosing “nonpublic personal health information” about a customer to anyone, unless the customer authorizes the disclosure or certain provisions of a regulation permit the disclosure.

# Privacy and Information Security continued...

A financial professional's information security program must be in writing and all office staff should be familiar with these written procedures. The security program should be appropriate for the size and complexity of your operations and the nature and scope of your business. The program should be designed to:

- Ensure the security and confidentiality of consumer information;
- Protect against anticipated threats or hazards to the security of such information;
- Protect against unauthorized access to such information;
- Appropriately secure mobile devices which contain customer information provide for the proper disposal of such information; and
- Comply with Broker Dealer or Agency privacy policies and procedures.

## **Customer Information Security Standards**

Customer information refers to information about individuals who apply for or purchase a product or service. Confidential customer information includes, but is not limited to:

- Name, address, phone number and age
- Social security number or other identification number
- Account numbers
- Financial information, such as assets, debts and credit history
- Health information including medical and prescriptions records
- Other personal information such as driving record

A financial professional must only disclose, access or use confidential information for business purposes. The information can only be shared on a "need to know" basis.

## **Electronic Records Security Standards**

- PCs with access to client information should not, as a general practice, be left unattended, or in the alternative, screen savers/sleep mode should incorporate password protection.
- Password protections for access to PCs should be implemented. Financial professionals should use passwords that are not easy-to-guess, avoid divulging passwords to other parties, and store passwords in a secure location.
- Encryption tools should be used when emailing confidential information to the customer.

# Privacy and Information Security continued...

## **Physical Security Standards**

Financial professionals are required to follow these physical security standards:

- Customer information should not be left unattended in offices, conference rooms, fax machines or printers.
- Customer files, documents, or any other records/documents containing confidential information should be stored in locked file cabinets or desks when not in use, and in all cases, secured at the end of the business day.
- Visitors to an agency location should not be allowed to walk unescorted in areas where customer information is easily accessible.
- Destroy unneeded documents: Financial professionals are required to either shred the document or dispose of them secure bins located in their respective agency. Under no circumstance is confidential information to be discarded in recycle or trash bins.
- Lock down agency location at the close of business.
- Complete all information security training administered by the Company.
- Report any failures in physical safeguards (e.g., broken locks, inadequate secure zones, etc.) to his /her supervisor.

## **Producer Security Standards**

- Financial professionals should limit access to customer information to only those producers/associates that require access to the information to either customer support, Operations or Compliance.
- Financial professionals are prohibited from disclosing customer information over the phone or in response to an email unless they identified the person to whom they are communicating as the customer or fiduciary representative of the customer.
- Financial professionals should only disclose information that is necessary. Generally that means only disclose information that is required to perform the business operation.

# Privacy and Information Security continued...

## **Telemarketing**

The Telephone Consumer Protection Act (“TCPA”) The TCPA restricts telephone solicitations (i.e., [telemarketing](#)) and the use of automated telephone equipment. The TCPA limits the use of [automatic dialing systems](#), artificial or prerecorded voice messages, [SMS text messages](#), and [fax machines](#). Non-compliance with TCPA range from \$500 to \$1,500 per violations (the top end being reserved for willful violation).

Producers are required to comply with all applicable telemarketing rules, including the Federal and State Do Not Call regulations. Producers may not place telephone calls to any telephone number that is maintained on the National Do Not Call registry. Specifically, producers are subject to these telemarketing requirements:

- Check the National, applicable state and internal Do Not Call registries prior to making a telephone solicitation.
- Call a customers with whom it has an established business relationship for up to 18 months after the customer’s last purchase, delivery, or payment, even if the customer’s number is on the National Do Not Call registry. In addition, a producer may call a customer for up to three months after the customer makes an inquiry or submits an application to the company.
- Customers who have given a company written permission may be contacted via telephone even if the consumer's number is on the National Do Not Call Registry.
- Telephone solicitations may not be placed before 8:00 a.m. or after 9:00 p.m. in the local time of the customer.
- Caller ID block is disabled.
- Use a compliance approved script.
- Producers are required to provide recipients of the telephone call the following information:
  - Name;
  - Name and address of the company in which the producer is affiliated; and
  - Statement that informs the purpose of the call is to discuss insurance products.

If a customer or prospect requests to be placed on the Company’s Do Not Call registry, the producer is required to submit the name and telephone number to the Company’s Do Not Call registry. Producers should make every effort to enter this information into the Company’s registry with 48 hours. Waiting 30 days to enter the information may cause a producer to lose sight of the requirement resulting in the customer or prospective customer not being added to the registry.

# Privacy and Information Security continued...

## **Use of Prerecorded, Autodialed Call/Texts or Fax Machines for Marketing**

Unless a producer has received prior written consent, he/she may not market his/her services/products through the use of prerecorded, automatic calls/text, or fax messages. Prior written consent requires a written agreement that documents the telephone number that specifically authorizes telemarketing by prerecorded, automatic dialing/texting, or fax messages, and that is not required as a condition of purchase.

Copies of all executed written consents must be maintained by the producer.

## **Email Marketing**

The CAN-SPAM Act is a law that sets the rules for commercial email, establishes requirements for commercial messages, and gives recipients the right to have you stop emailing them. Similar to TCPA, failure to comply with this law subjects the company to monetary penalties of up to \$40,000.

Prior to sending out any commercial email, the primary purpose of it needs to be determined as this will determine if the CAN-SPAM Act is applicable. An email can contain three different types of information:

- Commercial content: Advertises or promotes a commercial product or service, including content on a website operated for a commercial purpose.
- Transactional or relationship content: Facilitates an already agreed upon transaction or updates a customer about an ongoing transaction.
- Other content: Neither commercial nor transactional or relationship.

Any message that contains only commercial content must comply with the requirements of CAN-SPAM.

Summarized below are requirements that producers need to be aware regarding CAN-SPAM:

- Don't use false or misleading header information: The "From," "To," "Reply-To," and routing information, including the originating domain name and email address, must be accurate and identify the person or business who initiated the message.
- Don't use deceptive subject lines. It must accurately reflect the content of the message.
- Identify the message as an ad.
- Inform recipients where you are located. The message must include a valid physical postal address.

# Privacy and Information Security continued...

Inform recipients how to opt out receiving future emails<sup>1</sup>. The message must contain a clear, conspicuous explanation of how the recipient can opt out receiving marketing emails in the future.

## **What should you do in the event of a customer information security incident?**

All actual or suspected customer information security incidents must be reported immediately. Your organization has an established reporting process and it is important that you know this process. If you don't know how to report a security incident, contact your supervisor or upline management.

Examples of an information security incident include:

- Lost or stolen application or forms containing customer information
- Loss of Laptop / Smart Phone / USB "thumb drive" / Tablet or other similar devices containing customer or company proprietary information
- Loss of DVD / CD or other similar media containing customer or company proprietary information
- Communication containing customer information received by the wrong party
- Loss or unauthorized use of your username and password to access customer information

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<sup>1</sup> All recipients opt requests must be honored within 10 business days.

# Competing Fairly

*Many states have adopted regulations to protect customers against unfair or deceptive insurance marketing and claims practices.*

Certain insurer and producer practices are considered illegal and include the following activities:

## **Boycott, Coercion, or Intimidation**

Actions intended to create a monopoly or unreasonably restrain free trade in the business of insurance. For example, this would include an agreement or understanding among competitors to boycott or refuse to deal with a particular customer or competitor.

## **Defamation**

A false, maliciously critical, or derogatory statement intended to injure a person engaged in the insurance business.

## **Discrimination**

Allowing differences in rates, premiums, fees, or policy benefits between individuals of the same class or insurance risk based on place of residence, race, creed, or national origin. Some states may also prohibit discrimination based on gender, marital status, place of residency or other factors.

## **False or Deceptive Advertising**

Creating or using misleading or untrue material to solicit interest in insurance or in a product, company, or producer. This includes deliberate use or creation of false financial documents regarding the solvency of an insurer designed with the intent to deceive others.

## **Illegal Premiums or Charges**

Charging or collecting any premiums or charges not specified in the insurance contract.

## **Insurable Interest**

With regard to a life insurance policy, insurable interest exists when the owner of the policy gains a financial or other kind of benefit from the insured's continued survival. The policy holder (owner and premium payer) must face the possibility of a personal risk or loss, and have a legitimate financial interest in preserving the life being insured. The insurance coverage should not constitute a personal gain for the policy holder.

***Transamerica requires the premium payer to have similar/same insurable interest as the policy owner.***

# Competing Fairly continued...

## **Misrepresentation in Insurance Applications**

Making false or fraudulent statements or representations by an applicant, producer, or other person in or relating to an application for an insurance policy or an annuity contract. This would include encouraging or knowingly helping another person make such a representation or knowingly attesting to it. Also keep in mind that a material misrepresentation in the application can void the policy or contract and may result in commission chargebacks and loss of coverage.

## **Misrepresentation of an Insurance Policy**

Oral or written statements, omissions, presentations, illustrations, estimates, or comparisons made or circulated by a producer, insurer, or other person that do not truly reflect the facts concerning the terms, benefits, rates, advantages, or conditions of any insurance policy or annuity contract.

## **Rebating**

An illegal practice in most states. Rebating is when an agent (or agent's proxy) directly or indirectly, offers to pay any portion of a premium payment for a client, usually to persuade the purchase of insurance. It may also involve the return of any portion of the producer's commission to an insured or anything else of value given to the insured as an inducement to buy. Transamerica prohibits rebating in all states.

## **Stranger-Originated Annuities (STOA)**

Typically occurs when a financial professional and/or investors offer an individual, who is usually a stranger to the investor, a nominal fee for the use of the individual's identity as the annuitant, or measuring life, in an investment-oriented annuity. Targets of such activity usually include those who are terminally ill or in extremely poor health that may not live much longer, often with the expectation that the target will not live past the first year of the policy being issued.

*As a financial professional, ensuring there is a familial or bona fide relationship between your customer and the owner, joint owner, or annuitant of an annuity must be a primary objective of your sales practice.*

## **Stranger-Originated Life Insurance (STOLI)**

Typically occurs when a financial professional offer an individual, who is usually a stranger to the insured, a nominal fee for an agreement for the planned sale or transfer of a life insurance policy's benefit to someone with no insurable interest in the insured.

***Masking the intent of the policy by disguising payer information or the source of funds is strictly prohibited.***

# Competing Fairly continued...

## **Tie-ins**

Illegally requiring a person to buy another product or service to be eligible to buy insurance or vice versa.

## **Twisting**

An illegal act which occurs when a producer misrepresents the policy facts or makes incomplete comparison of policies to induce a policy owner to change or replace an existing insurance policy for the purpose of generating commissions.

The act of “churning” is similar to twisting but the new policy is from the same company as the existing policy being replaced.

### **Common Abuses**

- “Bashing competitors” through disparaging remarks about other insurance companies, products or producers.
- Unfairly or incompletely comparing companies, producers, products or insurance company ratings.
- Misrepresenting company ratings and financial statements.
- Making untrue statements on an insurance application.

# Replacements

*The Insurance Company is committed to conducting replacements properly and ethically.*

## **Statement Regarding the Acceptability of Replacement Sales**

Our companies are committed to helping customers meet their financial needs and objectives. Through the use of needs based selling, financial professionals shall ensure that the products recommended are appropriate or suitable for each customer's individual situation. While serving the changing needs of our customers, we believe there will be occasions where the replacement of an existing policy or contract is appropriate. When appropriate, we are dedicated to conducting replacements properly and ethically.

The following situations are some examples of when a recommendation to replace may be appropriate.

- A new need was identified.
- The customer's changing financial needs, goals, or risk tolerances could be better met through benefits offered under a different policy or contract.
- A new policy or contract can be recommended that has a reduced expenses and/or improved benefits.

Financial professionals must always make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives, and other information that could reasonably be considered in making a recommendation to a customer. The advantages and disadvantages of a replacement transaction must be presented in a fair and balanced way and comply with all applicable state replacement regulations.

"Replacement" typically means any transaction in which the producer knew or should have known that, in connection with the purchase of a new policy, an existing policy has been or will be:

- Terminated (e.g., surrendered, lapsed, or forfeited)
- Changed to reduced paid-up or extended term insurance or otherwise reduced in value.
- Amended to reduce benefits or the term of coverage.
- Reissued with reduced cash value.
- Pledged as collateral or subjected to borrowing, whether in a single loan or under a schedule of borrowing over a period of time for more than 25% of the policy's loan value.

# Replacements continued...

## **Duties of Financial Professionals**

A reasonable effort should be made to inform customers of various features of the potential product that will replace their existing policy or contract, including but not limited to:

- Potential surrender charges;
- Mortality and expense fees and any other fees;
- Available riders, including applicable rider fees.

Financial professionals should evaluate the information collected and ensure there is a reasonable basis to believe the customer will receive a tangible net benefit from the transaction.

Additional things to consider before recommending a replacement include:

- Will the customer incur a surrender charge from their existing policy?
- Will the customer be subject to a new surrender charge period?
- Will the customer lose existing benefits?
- Will the customer be subject to increased fees or charges?
- Has the customer had another annuity exchange or replacement within the preceding 36 months? (60 months for California and Minnesota).

As part of the recommendation, the financial professional should submit with, or as part of the application, a statement signed by both the applicant and the financial professional as to whether the applicant has existing policies or contracts. If the customer does have an existing policy or contract, the Replacement Notice should be presented and read to the customer. The notice must be signed by both the applicant and the financial professional and a copy left with the applicant. The notice should list all life insurance policies or annuities proposed to be replaced. The financial professional should leave original or copies of all sales material used with the customer.

Please note, some states have specific state requirements concerning the Duties of Financial Professionals regarding Replacements. These can be found on the Compliance Information/Bulletins page of the Company's website.

### **Regulations for Financed Sales**

Financed sales are replacements funded by borrowing or withdrawing from an existing policy. Financed sales, "internal replacements," and their related sales practices are closely monitored. Before recommending a financed sales, take special care to determine whether it is appropriate. Carefully document that the client understand the costs of "financing" and the effect on the existing policy.

# Advertising

*Any advertising materials used must be approved by the Insurance Company.*

## **What is Advertising?**

Insurance advertising is defined in most states as material designed to create public interest in life insurance or annuities, an insurer, an insurance agent; or to induce the public to purchase, increase, modify, reinstate, borrow on, surrender, replace, or retain a policy.

It also includes material used for the recruitment, training, or education of an insurer's insurance producers which is designed to be used or is used to induce the public to purchase, increase, modify, reinstate, borrow on, surrender, replace, or retain a policy. Here is a partial list of communication media or tools which may be considered insurance advertising:

- Printed material
- Form letters
- Written presentations
- Slide presentations
- Newspaper ads
- Web sites
- Signage and billboards
- Standardized pitches or presentations
- Reprints of magazine or newspaper articles
- Standardized or mass electronic mail messages
- Presentations or other content in training materials designed to be used with the public
- Business cards
- Lead generators
- Seminars
- Illustrations
- Yellow pages
- Radio or TV ads
- “Infomercials”
- Letterhead
- Scripts
- Telemarketing
- Leaflets, fliers, coupons
- Video or audio tapes
- Radio talk shows

## **What You Need to Know About Advertising**

To ensure compliance with state and federal insurance regulations, advertising is required to be approved by the Company regardless by whom the advertising is written, created, designed or presented.

Start by reading the Advertising Guidelines available on the company's website in the Compliance Information section. These guidelines explain how to submit advertising to the Company along with the review and approval process. They can also provide assistance in the creation of compliant material.

When using material provided by the Insurance Company check with the Insurance Company to verify jurisdictions the material is approved for use in along with how it is approved to be used.

Advertising of variable products must also meet FINRA and SEC rules.

Don't show material to a client if it's marked "For internal use only", "For training only", "For agent use only", or with a similar restriction. Never alter, modify, mark, or remove pages from advertising unless the Insurance Company approval notice indicates otherwise.

# Sales Practices

*How you conduct yourself throughout the sales process is critical to the long term relationship you establish between yourself, the Insurance Company, and your customer.*

Be sure to start off on the right foot. Make sure that any advertising to be used has been approved by the Insurance Company (see Advertising section for additional details). Review all applicable compliance bulletins, product guidelines, or requirements established and communicated by the insurance company, your agency, or firm. Be prepared and ensure you have a complete understanding of the product being recommended.

When meeting with a client, be sure to complete a thorough analysis of their individual needs and objectives (see Meeting the Needs of Clients section for additional details). Present product features, benefits, and costs in a fair and balanced way that is understandable to your customer. Ensure customers understand the product's advantages and disadvantages as well as what features or costs may be guaranteed and which are not. Ensure that copies of any sales materials you may use are provided to the customer. Provide each customer with any required buyers guides, product disclosures or state mandated forms.

Upon making a recommendation, be sure to instruct clients to make all checks payable to the Insurance Company, not to you, your agency, or firm. Applications and all required forms should be promptly submitted to your firm or the Insurance Company. If questions should arise regarding the transaction or the forms submitted, be sure to respond promptly to avoid adverse delays for the customer. Maintain clear and complete documentation regarding all meetings with your customer, information collected or shared with the customer, as well as recommendations made and their supporting rationale.

Documentation of information collected as part of the analysis, including the rationale for the replacement and any associated costs and benefits of the transaction, must be maintained by the financial professional. When appropriate, the financial professional may be asked to also submit some or all of this information to their supervising broker dealer, agency, or the insurer.

## Unsolicited Commercial Calls, Email and Faxes

State and Federal laws restricting *unsolicited commercial calls, emails and faxes* are becoming commonplace. These include laws and regulations that:

- Require producers to check a variety of Do Not Call lists and registries before placing phone calls to solicit a sale or even set up a later appointment to solicit a sale.
- Require producers, agencies, broker/dealers, and insurance companies to maintain their own specific Do Not Call lists.
- Restrict the ability to use tools such as predictive dialers.
- Prohibit the use of technology that blocks numbers from being identified by caller ID programs.
- Limit the use of unsolicited fax or email for advertising or other marketing purposes.

Before you proceed in making any unsolicited communications, be sure you are aware of the most recent regulatory updates regarding these types of transactions.

# Sales Practices continued...

Here are a few things you should NEVER say or do:

- NEVER refer to a life insurance policy or an annuity contract as an “investment,” “plan,” “program,” “pension plan,” “retirement plan,” or “savings program.” But you may refer to a qualified retirement plan itself (as opposed to an annuity contract funding it), such as an IRA, 403(b), etc., by its proper term.
- NEVER offer securities or investment advice unless it is with regard to a variable product and you are duly licensed and trained.
- NEVER offer legal, tax or accounting advice. Even if you are duly licensed, this type of advice is beyond the scope of your relationship with the Company.
- NEVER ask a client to sign an incomplete or incorrect application.
- NEVER suggest or imply that a client overlook or avoid responding to some or all of the application’s medical history questions.
- NEVER exaggerate, inflate, or make any unsubstantiated claim about products, services, or the Company.
- NEVER show to the public any materials labeled “For Internal Use Only,” “For Training Only,” “Producer Use Only,” “Broker/Dealer Use Only,” or a similar restriction.
- NEVER minimize, ignore, or avoid discussing aspects of your products and services because they are complicated or potentially unfavorable.
- NEVER use any illustration or tabular numerical data that has not been approved by the Company.
- NEVER use the term “vanishing premium” or “vanish” when discussing how to use accumulated values to pay future premiums.
- NEVER give direct monetary or indirect “in-kind” rebates.
- NEVER accept premium checks payable to yourself. (They must be payable to the Insurance Company.)
- NEVER represent the coverage under a conditional premium receipt as absolute or unconditional. (Always explain the limits and conditions when you give a conditional receipt.)
- NEVER solicit insurance without identifying yourself as a life insurance agent/producer.
- NEVER advance or pay premiums for a client.
- NEVER commingle funds or put a client’s money into your account.
- NEVER charge or collect any premiums or charges not specified in the insurance contract.

## Sales Practices continued...

- NEVER act as a producer or accept an insurance commission if you are a trustee, executor, guardian, or acting as a fiduciary for the client in any other way. Such a conflict of interest by a fiduciary is illegal in most states.
- NEVER share a client's medical, financial, or confidential personal information with anyone other than the Company or authorized persons. Such behavior, aside from being extremely unprofessional, can result in harm to a client and expose you to liability.
- NEVER borrow from or lend money to a client.
- NEVER ask a client to designate the producer as a beneficiary or owner of the policy.
- NEVER use the term "tax-free" or "income tax-free" when referring to deferral of income tax.
- NEVER use the term "tax shelter."
- NEVER use the term "mutual fund" when referring to the sub-account of a variable life or variable annuity contract.
- NEVER recommend an annuity just for the purpose of selling a rider. First determine that the annuity is appropriate and then look for appropriate riders.
- NEVER replace an annuity still in the surrender period without fully documenting the benefits to the client of doing so.
- NEVER replace an annuity or recommend riders that have a fee without net tangible benefits to the customer.
- NEVER replace a policy or contract in order to generate commissions for the producer.
- NEVER use high pressure sales or scare tactics.
- NEVER recommend a replacement that puts the client in a less advantageous position, such as having higher fees or a lesser death benefit, or creates adverse tax consequences

# Customer Funds

## Forms of Payments

The Company discourages the acceptance of cash or monetary instruments from customers and reserves the right to reject certain forms of payment.

### Acceptable forms of payment include:

- ✓ Customer personal check;
- ✓ Bank/Cashier check; or
- ✓ Third party check (from a financial institution drawn on the account of an insurance company, broker/dealer, or mutual fund company)

### Unacceptable forms of payment include:

- ✗ Cash, travelers checks, money orders\*;
- ✗ Checks drawn on non-US banks;
- ✗ Producer's personal check;
- ✗ Starter checks; or
- ✗ Prepaid debit cards

(\*) money orders are only accepted for policy payment or loan repayment for certain types of policies

## Policy Delivery

Acceptance of the policy or contract is one of the last acts that must occur (along with payment of the premium) in order for the policy or contract to be placed in force. All policies include a "right to examine" clause (sometimes known as a "right to cancel" or "free look" provision) that allows the client a period of time (typically anywhere from 10 to 30 days from the date of delivery) to examine the policy and, if not satisfied, return it for a refund.

Prompt delivery of the policy, along with obtaining a delivery receipt, is critical to allow the client to exercise his/her right to examine the policy. Completed delivery receipts should be returned to the Insurance Company.

Delivery in person is an opportunity to review the product features with the client and build the relationship.

In any subsequent complaint or dispute over the policy, proof of delivery may be a key factor in establishing that the client was afforded the "right to examine" and failed to exercise it.

# Anti-Bribery & Corruption Policy

Transamerica's policy requires Agents to conduct all business in an honest and ethical manner. Transamerica takes a zero-tolerance approach to Bribery and Corruption and is committed to acting professionally, fairly and with integrity in all business dealings and relationships. If an Agent suspects a member of Transamerica has violated an anti-corruption law or otherwise engaged in improper conduct in an effort to obtain business, s/he must immediately report such a suspected violation to the Compliance Department.

## **Bribery**

Agents may not promise, offer, give or authorize, directly or indirectly, a bribe or anything of value to anyone, including any government official, employee, representative of a government (including state-owned enterprises and/or state-controlled entities), private (non-government) officials, or employees of any business (collectively, a "Third Party") to attempt to improperly influence any act or decision to obtain or retain the business.

## **Gifts & Entertainment**

Agents are not prohibited from giving or receiving gifts or entertainment to and from a Third Party so long as it is reasonable and not frequent to raise ethical concerns. However, Agents are prohibited from accepting a gift/entertainment or giving a gift/entertainment to a Third Party in the following situations:

- It is made with the intention of influencing a Third Party to obtain or retain business, to gain a business advantage, or to reward the provision or retention of business or a business advantage, or in explicit or implicit exchange for favors or benefits.
- It includes cash or a cash equivalent (such as gift certificates or vouchers).
- It is of an inappropriate type and value and given at an inappropriate time (e.g. during the sales process).
- It is given secretly and not openly.

# Anti-Bribery & Corruption Policy (cont'd)

## **Facilitation Payments & Kickbacks**

Agents are also prohibited from making or accepting facilitation payments or kickbacks of any kind to a Third Party. It is not acceptable for an Agent to:

- Give, promise to give, or offer, a payment, gift or entertainment with the expectation that a business advantage will be received, or to reward a business advantage already given.
- Give, promise to give, or offer, a payment, gift or entertainment to a Third Party to 'facilitate' or expedite business.
- Accept payment from a Third Party that you know or suspect is offered with the expectation that it will obtain a business advantage for them.
- Accept a gift or entertainment from a Third Party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided by the agent in return.

## Paramedical Orders Code of Ethics

It is your responsibility to read and abide by these standards. To help ensure impartiality and to minimize the opportunity for fraud, an agent is not permitted to complete or order a paramedical examination or specimen collection:

- On his or her own life
- On any person related to the agent or any agency associate(s).
- On any Co-worker, business associate/partner or colleague
- From any examiner who is related to him or her by blood or marriage
- From any examiner who has a financial interest with the application as a premium payor or beneficiary

# Suitability & Monitoring

## **Suitability**

Most states have adopted annuity suitability and long term care (LTC) suitability regulations mandating that recommendations the agent makes in their state must be suitable for the customer. The Insurance Company has suitability programs for LTC and annuity products which are designed to ensure appropriate recommendations.

## **Monitoring**

Every financial professional selling insurance and annuities is subject to supervision by their agency or broker dealer.

The Insurance Company may also monitor agent activities. At the time of appointment, financial professionals are subject to background checks. Financial professionals who have a record of regulatory, criminal, financial, or employment problems may be identified for special review or monitoring. This doesn't mean that the financial professional's appointment will be denied, but the Insurance Company may closely monitor their sales activity.

On an ongoing basis, the Insurance Company may examine industry publications, such as FINRA notices or state insurance department websites, to learn if any appointed financial professionals have been the subject of disciplinary actions. If such a financial professional is identified, the Insurance Company may undertake a review of the business they have written and take any necessary action.

## **Sales Monitoring**

The Insurance Company has a sales monitoring program which is designed to detect unique trends or patterns of conduct which may suggest inappropriate sales practices.

Periodic reviews of sales trends, such as replacements, complaints or other sales data, is performed to identify unique agent and agency sales patterns that are worthy of closer review. The Insurance Company has determined acceptable thresholds for certain types of activity, such as replacements or complaints. Reports are generated periodically to detect financial professionals whose level of activity exceeds acceptable thresholds.

If a financial professional is found to have engaged in sales activities that pose an unacceptable risk to the Insurance Company, action may be taken. This may include asking the financial professional's agency or broker-dealer to provide explanatory information, and the financial professional's appointment may be suspended until the problem is resolved. In the most egregious cases, the Insurance Company may terminate their appointment.

# Conducting Business in New York

## **New York Regulation 187**

*Suitability and Best Interests in Life Insurance and Annuity Transactions<sup>2</sup>*

Regulation 187 imposes a best interest standard on insurers and financial professionals involved in any transaction or recommendation with respect to policies delivered or issued for delivery in New York. This includes in-force policies as well as proposed policies. Any transaction or recommendation made on these policies/proposed policies must be in the best interest of the client. Prior to the recommendation of a sales transaction, a financial professional shall make reasonable efforts to collect the client's suitability information.

A financial professional must not use a title or designation of financial planner, financial advisor or similar title unless the financial professional is properly licensed or certified and actually provides securities or other non-insurance financial services. A financial professional may state or imply that a sales recommendation is a component of a financial plan, however a financial professional shall not state or imply to the client that a recommendation to enter into a sales transaction is comprehensive financial planning, comprehensive financial advice, investment management or related services unless the financial professional has a specific certification or professional designation in that area.

If a financial professional is authorized to offer different versions of Transamerica's product, one with a fee-based structure and one with a commission-based structure, a comparison form must be provided to the client. This form must show the differences between the products.

This applies to every financial professional who materially participated in the making of a recommendation and received compensation as a result of the sales transaction, regardless if the financial professional had direct contact with the client or not.

### **Making a Recommendation**

A financial professional may weigh multiple factors that are relevant to the best interests of the client, including but not limited to, the benefits provided by the annuity or insurance product, the cost of the product, the financial strength of the insurer and other factors that differentiate products or insurers.

### **Sales Transactions**

The financial professional must act in the best interest of the client when recommending a sales transaction. This means that the recommendation should be based on an evaluation of the relevant suitability information of the client.

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<sup>2</sup> Annuity best interest standards go in effect on August 1, 2019 and life insurance best interest standards go in effect on February 1, 2020.

At the time of a recommendation, a financial professional must:

- Disclose to the client in a reasonable summary format all of the relevant suitability considerations and product information, both favorable and unfavorable, that provide the basis for any recommendations,
- Document the basis for any recommendation made and the facts and analysis to support that recommendation,
- Document, if applicable, the client's refusal to provide suitability information, and
- Document that a sales transaction is not recommended if a client decides to enter into a transaction that is not based on the financial professional's recommendation.
- The financial professional must be adequately trained in order to make a recommendation.

Financial professionals act in the best interest of the customer when:

- That the recommendation is based on an evaluation of the relevant suitability information of the client, and it reflects the care, skill, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use under the circumstances then prevailing. The financial professional's compensation or other incentive is permitted as long as it does not influence the recommendation.
- Only the interests of the client are considered. The financial professional may not consider their own financial interests.
- The sales transaction must be suitable for the client.
- There is reasonable basis to believe that:
  - The client has been reasonably informed of the various features of the policy, as well as possible consequences of the sales transaction, both favorable and unfavorable, such as:
    - Potential surrender period and surrender charge,
    - Any secondary guarantee period,
    - Equity-index features,
    - Availability of cash value,
    - Potential tax implications should the client sell, modify, surrender, lapse or annuitize the policy,
    - Death benefit,
    - Mortality and expense fees,
    - Cost of insurance charges,
    - Investment advisory fees,
    - Policy exclusion or restrictions,
    - Potential charges for and features of riders,
    - Limitations on interest returns,
    - Guaranteed interest rates,
    - Insurance and investment components,

- Market risk,
- Any differences in features among fee-based and commission-based versions of the policy, and the manner in which the financial professional is compensated for the sale and servicing of the policy.

In addition, when recommending a sales transaction, the financial professional must also consider if:

- The client would benefit from certain features of the policy, such as tax-deferred growth of any cash values, annuitization or death or living benefit.
- The particular policy as a whole, the underlying subaccounts to which funds are allocated at the time of the sales transaction, and riders and similar product enhancements, if any, are suitable.
- The client has the financial ability to meet the financial commitments under the policy.
- The financial professional has adequate knowledge to make the recommendation.

### **In-force transactions**

A recommendation for an in-force transaction shall also reflect only the interests of the client, and while the financial professional's receipt of compensation is permitted, this shall not influence the recommendation made.

In recommending an in-force transaction, the financial professional shall act in the best interest of the client and have a reasonable basis to believe that the client has been reasonably informed of the relevant features of the policy and potential consequences of the in-force transaction, both favorable and non-favorable.

A financial professional must not make a recommendation to a client to enter into an in-force transaction about which the financial professional has inadequate knowledge. The financial professional must be adequately trained in order to make a recommendation.

### **Proposed Replacement**

The financial professional should provide the client with all relevant policy information that is necessary for the evaluation of the replacement. The replacement must be suitable and take into consideration:

- Whether the client will incur a surrender charge, increased premium or fees, decreased coverage duration, decreased death benefit or income amount, adverse change in health rating, be subject to the commencement of a new surrender period, lose existing benefits (such as death, living or other contractual benefits), be subject to tax implications if the client surrenders or borrows from the policy, or be subject to increased fees, investment advisory fees, premium loads or charges for riders and similar product enhancements;

- Whether the client would benefit from policy enhancements and improvements, such as
- a decreased premium or fees, increased coverage duration, increased death benefit or income amount; and
- Whether the client has had another policy replacement, in particular within the preceding 36 months.

## **New York Regulation 194**

### *Disclosure of compensation amounts*

Regulation 194 requires a financial professional to provide in all cases a mandatory initial disclosure of compensation amounts to a purchaser, but only if the purchaser asks for that information. This includes any person required to be licensed to sell, solicit or negotiate insurance and applies to all types of direct insurance, including life insurance and annuities.

A financial professional selling an insurance contract shall provide the required compensation disclosure to the client orally, or in writing, at or prior to the time of application for the

# Sales Illustrations

The Company may provide or permit sales illustrations for certain types of products. Rules and guidelines will vary according to type of illustration (guaranteed or hypothetical, with or without loans, etc.) and the type of product being illustrated (term life, whole life, universal life, variable life, immediate or deferred annuity, fixed or variable annuity, etc.).

The National Association of Insurance Commissioners (NAIC) Model Life Insurance Illustration Regulation requires each company to declare each product as either one to be sold with an illustration or one for which illustrations are forbidden. Make sure that you know and follow the Company's designation for each product.

If you are offering a policy that is not to be illustrated, then any use of illustrations is strictly prohibited. You must not provide the client with any depiction, advertisement, projection, or table that contains any non-guaranteed element. If you are offering a policy the Company has declared must be illustrated, then you and the Company must comply with various requirements, including:

- The rates used in the illustration must meet strict actuarial standards and testing.
- At time of application, you must provide an illustration of the policy as applied for. The client must sign the illustration, and you must leave a copy with the client, subject to certain conditions. (Some exceptions may allow for later delivery of the illustration.)
- If the policy ultimately is issued other than as applied for, a new conforming illustration must be delivered with the policy.
- Special requirements exist for annual policy reports and requests for in-force illustrations.

## General Guidelines for Using Sales Illustrations

- When presenting a hypothetical illustration, inform the client that the illustration is intended to show how the policy would work under different assumptions. It is improper to present a hypothetical illustration in such a way as to predict results or lead a customer to expect such results. Explain that the results cannot be predicted because the underlying non-guaranteed assumptions will vary over time.
- Never guarantee rates, values, or projections in an illustration when they are based on non-guaranteed rates, non-guaranteed charges, or hypothetical performance or assumptions. Do not suggest or imply that they will, in fact, be achieved even though not guaranteed.
- Never alter, modify, mark on, or remove pages from illustrations.
- Use only Company-approved illustrations. These include illustrations generated or provided by the Company at the home office, or generated by you on software provided or approved by the Company. If you generate the illustration, be sure to produce all the required parts of the program.
- Even if you're not required to, it's a good practice to keep a copy of any illustration you present to the client.

# Elder Financial Exploitation Prevention

## Selling to Senior Clients

*Recommendations of insurance products or annuities to senior adults may require special care and diligence.*

In general, be careful not to mislead, scare, or confuse anyone who may be elderly or vulnerable, have cognitive issues, or simply does not understand. Some states perform additional oversight of sales made to seniors. It is a good idea to go the “extra mile” in applying all of the ethical standards to such sales. Always take extra care to:

- Present the client with any state required advance notifications prior to meeting with them in their home.
- Present the client with any state required disclosures while meeting with them.
- Clearly explain that you are an insurance producer and that you are soliciting a life insurance policy or an annuity. Don't use any confusing or misleading names, titles, or terms.
- Determine a senior's needs, objectives, and risk tolerance, as well as the appropriateness of the product for their circumstances. A senior's advanced age and special circumstances are significant factors in making these determinations.
- Avoid high pressure selling tactics. Some seniors may be vulnerable and easily frightened, intimidated, or confused. While it is important to help such a client identify and meet real needs, take extra care not to imply, suggest, or cause alarm or fright.
- Avoid using statistics or facts that will mislead, confuse, or give false impressions.
- Pause if the senior seems confused or unable to understand the product. Consult with the client's family members, trusted advisor, or legal representative.
- Don't use professional designations that indicate or imply that you have special certification or training which you don't have. Do not mislead any person when advising senior citizens, retirees or other individuals.
- Avoid any appearance of “overselling” or “stacking”. Many producers have been investigated and then fined, suspended, or sued for selling more insurance than a senior needs or can afford.

### Practice GOOD Judgment

Prior to the appointment with a senior, ask if the customer has a family member or trusted friend they would like to attend the appointment.

# *Elder Financial Exploitation Prevention (cont'd)*

*Financial Professionals play an important role by remaining alert for potential elder financial exploitation and reporting it immediately to the Insurance Company.*

Elder abuse includes various types of abuse, neglect, or exploitation of an older person (generally age 60 or older). Elder abuse may be an act of abuse or neglect. Elder abuse may include physical abuse, neglect, psychological, emotional or verbal abuse, financial exploitation, or self-neglect.

Elder Financial Exploitation is frequently defined as “illegal or improper use of an elder’s or incapacitated adult’s resources for profit or gain.”

As a Financial Professional, you play an important role in Elder Financial Exploitation and Elder Abuse Prevention. Before capacity is diminished, it is important to discuss the older person’s wishes and financial plans. It is important to document what you learn about their plans and concerns. It is important to document items such as the intended beneficiaries, intent of the product purchase, when and how they anticipate receiving income or utilizing the benefits, etc.

You should be alert for “red flags” in potential Elder Abuse or Elder Financial Exploitation.

Some examples of “red flags” include:

- The elder person or adult appears neglected (physical appearance or hygiene);
- The elder person or adult seems dazed, nervous or fearful;
- The elder person or adult does not remember requesting a transaction;
- The elder person or adult expresses or appears to be in fear of being evicted or institutionalized if he or she does not appoint a guardian, representative or someone to take charge of his or her care;
- The elder person or adult expresses or appears to be in fear of being evicted or institutionalized if he or she does not sign certain documents;
- There is more than one person claiming to be a legal representative (guardian, power of attorney, and/or caretaker) of the elder person or adult;
- Improper use of conservatorships, guardianships, or powers of attorney;
- Suspicious signatures on documents;
- You are instructed not to contact the elder person or the adult;
- The elder person or adult appears to be coached by the third party;
- Sudden or increased isolation from family and friends;
- Sudden appearance of previously uninvolved relatives claiming their rights to elder individuals possessions;
- Change of address to a new recipient’s address;
- The elder person or adult appears reluctant to speak or is nervous and/or afraid of person accompanying him or her;
- Unusual volume of activity

## *Elder Financial Exploitation Prevention (cont'd)*

The fact that one or more of these red flags is present does not necessarily mean that Elder Financial Exploitation is occurring or the person is a victim of financial exploitation.

In cases of suspected financial exploitation, you should:

- Verify the transactional authority of the person(s) acting on behalf of the older person;
- Attempt to separate the older person from the individual accompanying him or her;
- Use probing open-ended questions to determine the older person's intent;
- Share an elder abuse awareness document;
- Delay the suspicious transaction, if possible;
- Contact your immediate supervisor or compliance unit

If a policy has been issued or an application is pending, you should immediately report the activity to the Transamerica's Financial Crimes Hotline at (866) 622-5004 or email to [investigations@transamerica.com](mailto:investigations@transamerica.com) so the Company can investigate the activity and follow Company procedures regarding Elder Financial Exploitation.

### **Communicating with Seniors**

Regulators are increasingly concerned about the way financial services professionals communicate and interact with senior prospects or customers. When financial professionals begin to work with senior clients they should:

- Provide ample opportunity to ask questions about the products discussed.
- Avoid using industry jargon. Instead, use plain language and marketing materials with large font, if available,
- Test customer's understanding of the proposed solution.
- Use communications that offer a fair evaluation of the product(s) features, benefits, limitations, fees, expenses and risks. Communication must be based on the merits of a product or service, company or producer, and not on dire predictions about the future, unwarranted claims about the need to act quickly, or any other methods of creating a false sense of urgency.
- Document your conversations in the event there are problems with lack of recall or to help resolve any misunderstandings/misinterpretations.

# *Elder Financial Exploitation Prevention (cont'd)*

## **High Pressure Sales Tactics / Creating Sense of Urgency**

All communications must be fair and balanced in nature and based on principals of good faith and fair dealing. Communications should not create a sense of urgency or pressure to take action with respect a product or service. Financial professionals may not employ any marketing that may induce the purchase of a product or service through force, threat, fright or undue pressure. Terms or phrases such as these are generally not acceptable and should not be used with seniors:

- Take advantage of this offer today or it may expire
- Limited time offer
- Don't delay
- Don't become a statistic
- Act now

## **Suitability**

Determining the appropriateness of a product or service is a regulatory requirement and requires a careful analysis to determine the customer's financial needs, investment goals/objective, risk tolerance, and time horizon.

When doing business with senior clients, financial professionals have a heightened obligation to make sure that such client fully understands all aspects of the product being recommended. While you should always know all of the essential facts related to every customer prior to any sale that you make, when making sales to seniors you should take extra care to:

- Clearly explain that you are an insurance agent and that you are soliciting a life insurance policy or annuity. Try to avoid using any confusing terms or misleading names or titles.
- Do not use any professional designations that indicate or imply that you have special training or certification in such a way as to mislead any person.
- Determine a senior's needs, objectives, and risk tolerance, as well as the appropriateness of the product for the circumstances. A senior's advanced age and special circumstances are significant factors in making these determinations.
- Understand what the customer's expenses are:
  - What are the customer's typical expenses?
  - Does the customer have a mortgage/rental expense?
- Determine customer's liquidity needs. Does the client have enough money to meet emergency expenses?
- Avoid high-pressure selling tactics. Some seniors may be vulnerable and easily frightened, intimidated, or confused. While it is important to help such a client identify and meet real needs, take extra care not to imply, suggest, or cause alarm or fright.
- Avoid using statistics or facts that will mislead, confuse, or give false impressions.

- Reconsider the sale if the senior seems confused or unable to understand it. Such a sale could later be criticized by a family member or legal representative who may file a complaint or suit against you.
- Avoid any appearance of “overselling” or “stacking.” Many producers have been investigated and the fined, suspended, or sued for selling more insurance than a senior needs or can afford. Protect yourself by being conservative when determining the reasons, needs, and suitability of the purchase and by careful documentation.
- Maintain good documentation and notes. This could include having the client sign-off on copies of notes and other types of meeting summaries.

Financial professionals must ensure that a client fully understands the impacts of any transaction executed on his/her behalf. It is important for producers to ensure the client fully understands the potential risks and ramifications of a financial decision.

### **Diminished Capacity**

One of the most troubling and sensitive issues financial professionals face in dealing with seniors involves clients who exhibit signs of diminished mental capacity. In these situations, a client may no longer be capable of making his/her own financial decisions.

Financial professionals should be aware of the warning signs that may indicate diminished mental capacity and learn to recognize the potential signs of a client who is impaired due to a physical, mental, or sensory disability. If a client exhibits any of the following behaviors or characteristics, or any behaviors or characteristics that raise concerns, producer should contact the Compliance Department or supervisor for guidance. Clients with diminished capacity may exhibit the following behaviors which indicate their inability to properly weigh financial decisions (not an exhaustive list):

- The client has difficulty communicating with you.
- The client appears unable to process simple concepts. His/her questions and comments seem disconnected or contradictory.
- The client’s spouse/partner is answering questions for him/her.
- The client appears unable to appreciate the consequences of decisions.
- The client does not remember details from prior discussions including requests to process transactions.
- The client’s physical appearance suggests an inability to care for himself/herself.
- The clients seems confused, nervous or afraid.
- The client is disoriented with his/her surroundings or social setting.
- The client’s home seems unusually disorderly (e.g., piles of unopened mail).
- The client is making decisions that are inconsistent with his/her current long-term goals or commitments.
- The client cannot manage his/her own checkbook, financial affairs or other personal matters.
- The client appears to be concerned or confused about missing funds in his/her account.

# Elder Financial Exploitation Prevention (cont'd)

## **California Senior Consumer Protection and Suitability Law**

The California Senior Protection and Suitability law for life and annuities sets forth guidelines for marketing to seniors in the state. They include the following:

- Special protocols for visits to a senior's residence, which includes written notice that must be delivered to a senior at least 24 hours and no more than 14 hours days before a visit to senior's residence.
- Free look provisions variable life and annuities.
- Premiums kept in a fixed account for 30 days following issue (variable only).

## **Meeting in a Senior Customer's Residence**

When setting up an appointment with a senior prospect, California ("CA") requires the California Disclosure to Seniors [insert name of form used by Transamerica] to be provided to anyone age 65 or older at least 24 hours and no more than 14 days before meeting in their home. As a result, producers should schedule the appointment to allow time for the notice to arrive. Financial professionals are required to provide the disclosure to all potential and existing CA senior customers and retain a copy in the respective customer file to evidence it was provided.

CA law also requires producer to do following when visiting a senior's residence:

- Immediately after greeting and before any other statements or questions, state that the purpose of the visit is to talk about insurance or gather specific information for a follow up visit.
- State the name and titles of all person(s) arriving at the senior's residence and the name of the insurer represented.
- Provide the senior with a business card, which states the producer's name, business address, telephone number, and license number.
- If and when asked to leave the residence by the senior, immediately end discussion and leave.

If the meeting with senior takes place in a location other than his/her residence, the Disclosure requirements do not apply. Financial professionals should document in their customer file (meeting notes) the location of the meeting.

# Elder Financial Exploitation Prevention (cont'd)

## **Annuities – Medi-Cal Eligibility**

CA law also prohibits the sale of an annuity if the senior's purpose in purchasing the annuity contract is to affect his/her Medi-Cal eligibility and the following are true:

- Senior's assets are equal to or less than the community spouse resource allowance established annually;
- Senior would otherwise qualify for Medi-Cal; or
- Senior's purpose in purchasing the annuity contract is to affect Medi-Cal eligibility and after the purchase the senior or the seniors' spouse would not qualify for Medi-Cal.

## Vulnerable Person Exploitation Prevention

*Definition of a Vulnerable Person means, a person, whether a minor or adult, whose ability to perform the normal activities of daily living or to provide for his or her own care or protection from abuse, neglect, exploitation or improper sexual contact is impaired due to a mental, emotional, physical or developmental disability or dysfunction, or brain damage or the infirmities of aging. The also includes all residents or patients, regardless of age, in a care facility.*

*"Exploitation" means the illegal or improper use of a vulnerable person or their resources for another's profit or advantage, with or without the consent of the vulnerable adult, and includes acts committed pursuant to a power of attorney. "Exploitation" includes, but is not limited to, a single incident.*

## **Mandatory Reporting**

Any person who knows or suspects that a VULNERABLE PERSON has been or is being abused, neglected or EXPLOITED shall immediately report such knowledge or suspicion immediately to the Company. You may contact the Company's Financial Crimes Hotline at (866) 622-5004 or email to [investigations@transamerica.com](mailto:investigations@transamerica.com).

# Anti-Fraud

*Financial professionals play an important role by remaining alert for any suspected fraud or unusual transactions, and should report it immediately to the Insurance Company.*

Insurance fraud, defined as deception deliberately practiced in order to secure unfair or unlawful gain, is one of the most significant issues facing our industry today. Insurance fraud can encompass any suspicious, fraudulent and/or illegal activity against the Company and related to our customers. It costs consumers and insurers billions of dollars each year. Because of this, the federal government and several states have enacted legislation designed to reduce insurance fraud and are strict about enforcement. Financial professionals convicted of any criminal felony involving dishonesty or breaches of trust are subject to steep fines and penalties, up to and including imprisonment.

The Insurance Company diligently monitors for unusual transactions and events that could indicate fraud. Insurance Company employees participate in regular fraud training.

They are taught to be watchful for red flags and to notify the Special Investigative Unit if they observe a potentially fraudulent transaction or event.

Once notified, the Special Investigative Unit conducts an investigation. The Special Investigative Unit may make reports of fraud to the authorities, as required, or for further government investigation or prosecution. The Company take its responsibilities in the fight against financial crime very seriously.

Financial professionals are advised to keep all customer dealings above board and avoid situations that could give the appearance of being fraudulent. Following is a list of guidelines.

- Report suspected fraud to the Insurance Company.
- Never sign, alter or forge another person's signature on any documents; this includes electronic signatures.
- Always document and have client authorization for all transactions.
- Report complaints promptly and properly.
- Promptly submit documentation including applications, premiums, claim forms, and policy changes.
- Instruct customers to make premium payments directly to the Insurance Company.
- Never give direct monetary or indirect "in-kind" rebates.
- Use only Insurance Company-approved sales materials, including illustrations.
- Use original documents instead of faxes or photocopies except where permitted by Company procedure.
- Avoid inaccuracies or misrepresentations when helping a customer complete an application or a claim form requesting benefits. When possible, ask customers to review documents prior to submitting to the Insurance Company.

- Never impersonate another individual.
- Maintain appropriate licenses and appointments.
- Never “fill in” for a colleague so they can avoid licensure in a state.
- Participate in periodic compliance training and continuing education offered by your firm.
- Never hire, employ, or appoint persons in the business of insurance without following the Company’s procedures, guidelines, and background investigation requirements.

If you would like additional information regarding red flags, fraud trends, statistics, Special Investigative Unit information or other fraud related information, please contact the Company or visit our website.

Financial professionals should report any suspected fraud to the Company **immediately**. Call the Financial Crimes Hotline at (866) 622-5004 or email to [investigations@transamerica.com](mailto:investigations@transamerica.com).

**Be alert for these red flag indicators:**

**Life Insurance Fraud Indicators:**

- Policies requiring physical examinations are almost never used;
- The coverage amount is not commensurate with the stated employment/income position of insured ;
- Fraudulent misrepresentation;
- Forging signatures on applications, amendments, and/or policy delivery receipts;
- Theft of policy values; and
- Misrepresenting where application was signed.

**Application Fraud Indicators:**

- Unsolicited, new walk-in business not referred by existing policyholder.
- Client neither works nor resides near the agency.
- Client’s given address is inconsistent with stated employment/income.
- Client refuses to provide a telephone number.
- Client cannot provide driver’s license or other identification or has a temporary, recently issued, or out-of-state driver’s license.
- Client tries to pay premium in cash.
- Client suggests price is no object during application process.
- Client is unemployed or self-employed in transient occupation.
- Client asks in-depth questions regarding claims process.
- Client is unusually familiar with insurance terms or procedures.
- Changes to the client’s address, date of birth, tax ID number or health information are requested after the application has been submitted.
- Third party conducts the transactions on behalf of client for no apparent reason.

## Signatures on the Owner/Insureds Behalf

All signatures on policy applications and relevant documents must be the **authentic** signature of the individual whose signature is required. Asking or accepting any individual's consent to sign his or her name on his or her behalf is unacceptable and represents a breach of the producer's responsibility.

The application and relevant documents, including any required revisions, to the policy must be signed by the adult proposed insured and the owner and witness, if applicable. They must also be signed in a location where the Company and the agent are licensed to do business. A witness may be any adult who knows the proposed insured and who is present at the time the proposed insured signs the document.

It is **not** acceptable to sign another person's name, even if that person knows, approves, authorizes or directs the producer to do so.

Failure to adhere to these provisions can be cause for termination of a producer's contract with the Company and may subject the producer to loss of his/her license under most state licensing laws/regulations.

## Anti-Money Laundering

*As a financial professional working directly with customers, you play an important role and are in the best position to identify any "red flags" that applicants, payors, insured/annuitant(s) are engaging in money laundering activities. You are required to follow the Company's AML compliance program and requirements.*

All insurance companies, are required to develop and implement an AML compliance program for the Company's "covered products," which includes any permanent life insurance policy (other than group), any annuity contract (other than group), or any other insurance product with features of cash value or investment.

### Definitions of Money Laundering & Terrorist Financing

**Money laundering**, at its simplest, is the act of making money that comes from Source A look like it comes from Source B. In practice, criminals are trying to disguise the origins of money obtained through illegal activities so it looks like it was obtained from legal sources. Laundering allows criminals to transform illegally obtained money into seemingly legitimate funds

# Anti-Money Laundering continued...

**Terrorist financing** involves the use of money, which may be lawfully obtained, to fund illegal activities. Because the transactions often have a legitimate origin and can often involve small amounts of money, terrorist financing can be more difficult to identify than money-laundering activities.

## **Obtaining Customer Information**

Since financial professionals have direct contact with customers, they are in the best position to ensure required customer information is obtained, the customer's source of funds, and the customer's reasons for purchasing an insurance product. As a result, financial professionals are responsible for ensuring accurate information is provided on the insurance application and any other documentation required for the issuance of a covered product and related transactions. Basic identifying information required during the solicitation and/or application process may include:

- Name
- Date of Birth (if an individual)
- Residential Address (individual) or principal place of business (entity)
- Social Security Number or Taxpayer Identification Number
- Citizenship Information
- Country of Current Residence
- Entity or Trust Certification (if applicable)
- Authorized Representative Certification of Entity Document (if applicable)
- Occupation
- Employer
- Source of Funds
- Income and Net worth

## **Enhanced Due Diligence Requirements for "high" or higher risk/prohibited customers"**

Transamerica, through a financial professional/agent, third party administrator or Underwriting, will identify the customer as a normal, high, higher risk/prohibited customer. Transamerica will conduct enhanced due diligence on customers deemed "high or higher risk/prohibited." Transamerica may require additional documentation during this enhanced due diligence process.

For annuity policies, the financial professional/agent shall obtain prior approval prior to submitting the application and money for any high risk or higher risk/prohibited customers..

For life insurance policies, underwriting will work with the financial/professional to obtain appropriate documentation or information as part of the underwriting review process.

The following are the risk factors used to determine normal, high risk, higher risk or prohibited customers for anti-money laundering or anti-terrorist financing purposes.

Risk Factor		Risk Rating		
		Normal	High	Very High/Usually Prohibited
Any party* are U.S. Citizens or U.S. Legal Permanent Residents (U.S. LPRs)		✓		
Any party* is an OFAC- or other Country/Region Sanctioned Individual or Entity (e.g. United Nations, European Union, etc.)				✓
Owner or Insured is a Current or Former U.S. Politically-Exposed Person (PEP) or Relative/Close Associate (RCA)			✓	□
Owner or Insured is a Current or Former Foreign Politically Exposed Person (PEP) or Relative/Close Associate (RCA)				✓
Owner or Insured is an Employee of a Foreign Government, Embassy, or Consulate			✓	
Policy owner is a regulated domestic (U.S.) bank or financial institution		✓		
Any Party with known links to Financial Crime**			□	✓
Owner is an Anonymous or Fictitious Person				✓
Owner is a Publically-Listed or Publically-Traded Company		✓		
Owner or Payor is not a U.S. Citizen or not a LPR	<ul style="list-style-type: none"> <li>Anyone with Work/occupation Visa or Student/Academic Visa OR ***</li> <li>Lower-risk Countries in Appendix OR***</li> <li>High Risk Countries in Appendix below \$5 million face amount***</li> </ul>	□	✓	
	High-risk countries in Appendix with face amount over \$5 million		✓	
	<ul style="list-style-type: none"> <li>All Annuities OR</li> <li>Restricted Countries in Appendix (OFAC &amp; FATF)</li> </ul>			✓
Policy Owner is a foreign bank, trust, or entity			✓	□
Any Party working at a foreign company related to oil, gas, coal, or precious metals			✓	□
Any Party working at a foreign company related to nuclear, armaments, munitions, or defense				✓
Any Party is an incidental owner/investor in a Cannabis-related Business (secondary or passive income)***			✓	□
Any Party is an Owner, Officer, or Employee of a Cannabis-related Business (primary job/income)				✓
Policy owner is owner, manager, director of an internet casino or non-U.S. land-based casino (including stationary boats)			✓	
Policy owner or employee of precious metals, stones or jewels business - non-transport			✓	
Policy owner or employee of precious metals, stones or jewels business - transport			□	✓
Life Insurance policies where the owner or employee of a cash-intensive business such as convenience stores, restaurants, liquor stores***			✓	
Life Insurance policies where the owner or employee of a cash-intensive business that can often act as a "front" for other activities (massage parlors/RubMaps, nail salons, etc.) or where business and personal residence address are the same.			□	✓
Policy owner is a charity or non-profit organization			✓	

Policy owner or payor is an Owner or employee of a Virtual Currency company (e.g., Bitcoin-BTC/BCH/BSV; Binance Coin-BNB, EOS-EOS, Ethereum-ETH, Litecoin-LTC, Libra-LIBRA, Monero-XMR, Ripple-XRP, Tether-USDT)			✓	
Owner is U.S. Entity, Employer Plan, or Trust where a controlling party or beneficial owner is a foreign national or entity		<input type="checkbox"/>	✓	
Policy Amount	Cash Value Life Insurance Face Amount less than \$20 million	✓		
	Annuity with accumulated premiums less than \$2 million	✓		
Policy Amount	Cash Value Life Insurance Face Amount over \$20 million		✓	
	Annuity with accumulated premiums over \$2 million		✓	

\*Party means owner(s), insured(s), annuitant(s), and payor(s).

\*\*Financial crime means the individual or entity has been arrested, indicted, or convicted of offenses such as money laundering, corruption, embezzlement, fraud, etc. Financial crime may also include an individual or entity reasonably suspect to have involvement on the panama papers or other financial crime related lists.

**Suspicious Transactions**

Financial professionals play an important role in our AML Program by remaining alert for any “red flags” that the applicants are engaging in money laundering activities. As a financial professional working directly with customers, you are in the best position to identify “red flags”.

Some examples of “Red Flags” include:

- Clients whose business history is inconsistent or nonexistent and/or the customer is reluctant to provide usual application information;
- Client inquiries about the Company’s procedures for returning excess premium;
- Payments made via multiple cash equivalents (i.e. money orders, cashier’s checks, bank drafts) in amounts under \$10,000;
- Clients who attempt to purchase an insurance policy or annuity or to make an investment in an amount far beyond their apparent means that is inconsistent with their needs or that has no obvious purpose;
- Clients who are less concerned with the long-term performance, features, costs or surrender penalties of an annuity product;
- Clients who exhibit unusual concerns about compliance with customer identification or reporting requirements.
- Client is reluctant to reveal how he/she acquired the funds being used for the purchase, i.e., source of wealth.
- The purchase of an insurance product with monetary instruments in structured amounts.
- Customers who provide suspect or unverifiable identification or are hesitant to supply identifying information.

- Customers who provide incomplete or confusing descriptions of the nature of their business.
- Customers who wish to purchase multiple policies or who indicate funds will be deposited from multiple sources.
- Large overpayment of premiums not consistent with the customer’s past payments. This is particularly suspicious if the customer requests a disbursement shortly after the payment.
- Customers who make multiple payments, followed shortly thereafter by a request to surrender the policy.
- Customer policy purchased in amounts considered beyond customer’s apparent means.
- Payments submitted by an unrelated third-party.
- Customers who have an association with, or have accounts in, a country identified as a haven for money laundering require extra due diligence.

### **What should you do if you discover a “red flag”?**

Financial professionals should report it immediately to the Company. You can report activity to the Company’s Financial Crimes Hotline at (866) 622-5004 or email the [investigations@transamerica.com](mailto:investigations@transamerica.com).

AML Regulations require that you maintain absolute confidentiality about any “red flag” that you encounter. Financial professionals must not disclose that activity was reported to the customer.

The Companies and financial professionals share an important responsibility to comply with the USA PATRIOT ACT and its applicable anti-money laundering regulations. Failure to comply with laws prohibiting money laundering may result in significant criminal, civil or regulatory penalties or reputational harm that could ensue from any association with money laundering activity.

#### **Willful Blindness**

“Willful blindness” means it’s against the law for you to “look the other way” if you know of, or reasonably should have known of red flags indication suspicious activity. As a financial professional you have a legal duty to “know your client,” detect such suspicious activity, and report it to the Company.

# Complaints

*Under the insurance laws of most states, a complaint is typically defined as a communication primarily expressing a grievance, meaning an expression of dissatisfaction. Regardless of the allegation, the Insurance Company is obligated to address the complaint fairly and expeditiously.*

Some insurance companies, including ours, also track verbal complaints reported through their call centers.

Complaints may span a wide array of grievances such as improper handling of a transaction by the Insurance Company, reporting (or paying out) an incorrect dollar amount, failure to follow customer instructions, or providing wrong information. Complaints may also allege sales practice abuses by a financial professional including misrepresentation, unsuitability, theft, or failure to follow instructions.

Complaints may be categorized as follows:

## **Department of Insurance (DOI) complaints**

These complaints are submitted by the customer or someone acting on behalf of a customer (such as a child or POA) directly to their state DOI. The state requires the Insurance Company to respond to the allegations. After the Insurance Company responds to the DOI, the state may ask for further information or make a determination of wrongdoing. If the complaint alleges a sales practice abuse, the Insurance Company will generally ask the financial professional or their agency/broker-dealer to provide a statement explaining their side of the story. If the DOI or the Company determines that the financial professional is at fault, the Insurance Company will work with the financial professional and/or his agency to work out details of any settlement or remedial action.

## **Written Consumer complaints**

Written consumer complaints are those grievances expressed, in writing, directly to the Insurance Company. They may be submitted through the mail, by fax, or email. The Insurance Company is required to respond directly to the customer. As with DOI complaints, the Insurance Company may ask a financial professional to provide a statement if the complaint alleges a grievance against the financial professional's conduct.

## **Verbal Consumer complaints**

These complaints are received directly from customers via the call center or operations departments. The vast majority of these complaints are resolved by the call center rep and require no follow-up or participation by the financial professional or agency. They are, however, tracked in order to identify trends.

# Complaints continued...

## What to Do When You Receive a Complaint

Financial professionals who receive a written consumer complaint alleging a grievance against either the Insurance Company or against the financial professional, should immediately provide a copy of the complaint to their immediate supervisor. The financial professional or the supervisor must make sure a copy of the complaint is also forwarded to the Insurance Company immediately to [consumeraffairs@transamerica.com](mailto:consumeraffairs@transamerica.com). If we ask for further assistance, please respond in a timely manner. When talking to the customer, make sure you do not: promise specific results, argue, or take sides.

## Lawsuits

Lawsuits may or may not be the result of a complaint. But, if you should be notified of a lawsuit that names the Insurance Company, it is important that you immediately notify us by emailing [OfficeofTheGeneralCounsel@transamerica.com](mailto:OfficeofTheGeneralCounsel@transamerica.com). Do not make any comment or attempt to respond on your own. Our Legal Department will evaluate the lawsuit and determine the appropriate course of action. If necessary, the Legal Department may communicate with your legal counsel, as appropriate.

Sometimes it is difficult to decide if a communication from a customer is a complaint.

To help you make the determination, consider the following:

- Is the tone or language angry?
- Does the substance of the communication suggest wrongdoing?
- Is there an expression of anger?
- Is there an allegation of unsuitability, dishonesty, fraud, or negligence?
- Does the communication threaten a lawsuit or other legal action?

# Resources

## Company Websites

[www.transamerica.com](http://www.transamerica.com)

[www.mywfg.com](http://www.mywfg.com)

<https://www.agentnetinfo.com/>

<https://www.taagentnetinfo.com/>

<https://transactrls.transamerica.com/>

## American Council of Life Insurers (ACLI)

[www.acli.com](http://www.acli.com)

## National Association of Insurance Commissioners (NAIC)

[www.naic.org](http://www.naic.org)

## State DOIs

[http://naic.org/state\\_web\\_map.htm](http://naic.org/state_web_map.htm)

## Financial Industry Regulatory Authority, Inc. (FINRA)

[www.finra.org](http://www.finra.org)

## National Center on Elder Abuse, Administration of Aging

<http://www.ncea.aoa.gov>

## Department of Health and Human Services, Administration of Aging

[http://www.aoa.gov/AoA\\_programs/Elder\\_Rights/EA\\_Prevention/whatIsEA.aspx](http://www.aoa.gov/AoA_programs/Elder_Rights/EA_Prevention/whatIsEA.aspx)

## Consumer Financial Protection Bureau

<http://www.consumerfinance.gov/older-americans>

We hope that you have found this Guide to Professional Conduct helpful. This brief Guide cannot discuss all of the topics, laws and regulations that may affect your activity as a financial professional. Also keep in mind that these guidelines are general in nature and cannot address all details of any specific circumstance. If you need additional advice about applying these guidelines, please contact your supervisor or the Insurance Company.