

Company Position on Annuity Suitability

Nassau has a strong commitment to adhere to the suitability guidelines set forth in the NAIC Suitability in Annuity Transactions Model Regulation and applicable state laws. Nassau has developed guidelines and forms for you to use to ensure that every sale and replacement of an annuity product is suitable. Nassau relies on your insight and personal knowledge of your client and their financial situation to identify facts and information that may not be obvious to the individual reviewing the forms or application. Nassau expects you to know and understand our products and our suitability standards and apply this knowledge in your every day practice of soliciting Nassau products.

Producer Responsibilities

It is your obligation to ensure that you have reasonable grounds for believing that the recommendation to purchase or replace an annuity is suitable for the client based on the information provided by the client. In order to fulfill that obligation you have certain responsibilities with respect to training, solicitation and maintaining records of your annuity sales with Nassau. Your compliance with our suitability guidelines facilitates an effective suitability review process.

Training

- Review and fully understand the features of the products you are selling.
- Review and complete all product training materials prior to solicitation. Links to training materials can be found on our Salesnet website at salesnet.nsre.com.
- Complete the State Continuing Education Annuity Training, where required.
- Review the Suitability Frequently Asked Questions document to ensure you understand our expectations of your participation in the suitability process.

Solicitation

- Make a reasonable effort to obtain your client's suitability information and ensure the information is accurate.
- Do not solicit an individual who resides in a nursing home, has any form of cognitive impairment or has been diagnosed with a terminal illness.
- Assess the various features of our annuities to make a reasonable determination if any product is suitable for your client based on the suitability information provided.
- Fully explain to your client the various features, risks, benefits and charges of the annuity and any rider(s) you are recommending.

- Fully document your rationale for recommending the purchase of the product and any rider(s) in your records as well as on the Annuity Suitability Questionnaire. Be specific.
- Review the applicable Buyer's Guide, Product Disclosure, Rider Disclosure and Privacy Commitment Policy and any other disclosures required by law with your client throughout the application process.
- Ensure that both you and your client sign the signature pages of Product Disclosure and Rider Disclosure and provide copies of each to Nassau with the completed application.
- Leave copies of the Buyer's Guide, Privacy Commitment and applicable disclosure documents with your client.

Maintaining Records

- Nassau requires that written records of discussions held with your client be maintained for future reference. This includes written records of any disclosures provided to your client, including written summaries of oral disclosures.
- Your records should include any information that may have been used in making or justifying a recommendation, including information collected from your client pertaining to their current financial circumstances and objectives.
- Your records should include how the annuity you recommended meets your client's needs and objectives based on the information gathered during your meeting(s) and disclosed on the Annuity Suitability Questionnaire.
- It is recommended that these records be maintained for as long as the contract remains in force, plus seven years (or longer if required by state law).

2020 NAIC Suitability in Annuity Transactions Model Regulation

In Spring of 2020, the NAIC approved revisions to the **Suitability in Annuity Transactions Model Regulation #275** requiring producers to use “reasonable diligence, care and skill” in making recommendations and to act in the “best interest” of consumers.

In states which have adopted the new NAIC model regulation or similar regulations, all recommendations or sales must be in the best interest of the client. Under this new model regulation, in addition to existing suitability requirements:

- The client’s interest must be prioritized
- Recommendations and sales must effectively address the client’s unique financial situation, insurance needs and financial objectives
- Producers must meet specific “best interest” obligations regarding care, disclosure, conflict of interest and documentation

The following is a summary of new producer responsibilities under the 2020 NAIC Suitability in Annuity Transactions model regulation:*

- Complete new training credits prior to any state deadline
- Obtain a signed “Insurance Agent (Producer) Disclosure for Annuities” form at the time of recommendation or sale
- Obtain additional signed forms if a consumer refuses to provide certain information or is making a purchasing decision against a producer’s recommendation**
- Avoid and disclose any material conflict of interest
- If requested by the client, disclose any cash and non-cash compensation in the form of a range or percentage
- Communicate the basis or bases of any recommendation to the client and make a written record of any recommendation, the basis for the recommendation and any disclosures provided (including oral disclosures)

Nassau Responsibilities

Nassau has established a supervisory system designed to ensure compliance with regulatory requirements. The following is a list of Nassau’s responsibilities with respect to achieving compliance:

- Provide you with the required training, forms and certifications.
- Closely review your signed applications, Annuity Suitability Questionnaire, Client Identification Form

and any other forms or information you submit with an application for completeness to ensure the sale meets our suitability standards.

- Contact clients to validate certain information provided on the Annuity Suitability Questionnaire.
- Periodically contact clients to verify they received their contracts, are aware of relevant product information and are satisfied with their purchase.
- Nassau may conduct random reviews of your sales to verify the appropriateness of sales and/or sales practices.
- Periodically review and revise our policies and procedures and keep you apprised of these revisions.

Nassau will not:

- Provide legal or tax advice to you or your client.
- Issue a contract if you have not completed the required product and state training.
- Issue a contract with an incomplete Annuity Suitability Questionnaire.
- Issue a contract where the source of premium is from a mortgage, reverse mortgage, home equity line of credit, or personal loan.
- Issue a contract that you have not recommended.
- Issue a replacement contract where the existing contract has been in force for less than 24 months.
- Issue a replacement contract where the existing contract has been in force less than 36 months and the same producer who sold the existing contract is also selling the replacement contract.
- Issue a replacement contract where the client will incur excessive surrender charges.
- Issue a replacement contract where the client is above age 80 and there are surrender charges or penalties (MVA, bonus recapture).
- Issue a replacement contract where the client is above age 80 and the contract being replaced has a Minimum Guaranteed Interest Rate (MGIR) greater than the MGIR on the new contract.
- Accept any application for a deferred annuity if the purchase is intended to qualify an individual for Medicaid, VA benefits, or any other similar state or federal aid program.
- Permit the sale of its products in connection with a Personal Service Contract.
- Issue a contract to a client who resides in a nursing home, has any form of cognitive impairment or has been diagnosed with a terminal illness.

*This is only a summary. You are required to comply with all the regulations that are applicable in the state in which you are selling or recommending the purchase of an annuity.

**Nassau will not issue a contract if the Annuity Suitability Questionnaire is not completed or if the sale was not recommended by the producer.

Company Position on Replacements

Nassau has a strong commitment to adhere to the replacement requirements set forth in the Life Insurance and Annuities Replacement Model Regulation and applicable state laws. Nassau has developed requirements and forms for you to use to ensure that you satisfy all of the necessary replacement requirements at the time of sale. Nassau relies on your insight and personal knowledge of your client's financial situation to identify and disclose any purchase that could be considered a replacement. A replacement transaction should only be recommended if it is in the best interest of the client. For annuities, replacements under 36 months (60 months in CA & MN) will be subject to heightened review, especially in cases where another exchange or replacement occurred in the preceding 60 months. Nassau will not consider any replacements under 24 months, or any replacement under 36 months if the producer who sold the existing contract is also selling the replacement contract.

Definition of a Replacement:

A transaction in which a new life insurance policy or annuity contract is purchased and it is known or should be known that an existing life insurance policy or annuity contract has been or will be:

- Lapsed, forfeited, surrendered, partially surrendered, assigned to the replacing carrier, or otherwise terminated
- Converted to reduced paid-up insurance, continued as extended term insurance, or otherwise reduced in value by the use of non-forfeiture benefits or other policy values
- Amended to result in a reduction in benefits or coverage
- Reissued with any reduction in cash value
- Used in a financed purchase. A financed purchase is the purchase of a new policy involving the actual or intended use of funds obtained by the withdrawal or surrender of, or by borrowing from values of an existing policy, to pay all or part of any premium due on the new policy

It is still considered a replacement to surrender (in whole or in part) an existing life insurance policy or annuity contract, place the funds in a cash-like account (e.g. checking account, money market account, etc.) and then use those funds to purchase a new life insurance policy or annuity contract. If the original source of the funds was another life insurance policy or annuity contract, that fact must be disclosed.

Producer Responsibilities

Regulatory Requirements

- Make sure your client understands the definition of a replacement.
- Make sure your client understands whether or not the purchase involves a replacement, as well as the advantages and disadvantages of replacing the existing contract.

- Make sure both you and your client understand the replacement questions on the application and answer them accurately and completely.
- Before recommending a replacement, make sure you thoroughly understand your client's existing contract and consider all of the advantages and disadvantages of replacement, including, but not limited to:
 - Whether the annuity contract has been in force for less than 36 months (60 months in CA and MN).
 - Whether the client will pay surrender charges to replace the existing contract.
 - Whether the client will begin a new surrender charge schedule with the new contract.
 - Whether the client will lose any existing benefits (such as a death benefit, guaranteed interest rates, or riders) by replacing the existing contract.
 - Whether the client will be subject to increased or decreased fees with their new contract.
 - Whether the client will benefit from product enhancements or new features available on the new contract that are not available from the existing contract.
- Comply with the regulations and requirements of the states in which you solicit Nassau products.

These requirements include completing the applicable replacement forms, leaving copies of the replacement forms with your client, submitting original replacement forms with the application and retaining copies of all documentation for your records. It is important to note that most states require the replacement form to be completed even when there is no replacement involved in the transaction.

Procedural Requirements

- Present and explain the state-specific Replacement Notice and any other required forms to your client. In states that have adopted the Replacement Model Regulation, the Replacement Notice must be completed in all cases where the applicant has existing policies/contracts, even if the purchase does not involve a replacement. The notice must be read aloud to your clients unless they indicate they do not want it read aloud. All forms must be signed and copies must be left with your client.
- Familiarize yourself with Internal Revenue Code rules relating to 1035 exchanges. To request a 1035 exchange, complete the company 1035 exchange form. The IRS will not recognize a transaction as a valid 1035 exchange if the premium is not transferred from the existing carrier directly to Nassau. The client cannot receive the premium and then transfer it to Nassau.
- Copies (or originals) of any illustrations, disclosure documents, replacement forms and other materials used during the sales process must be left with your client, including typed, handwritten or electronic materials. Printed copies of any electronic sales materials used must be provided to the client no later than at the time of policy or contract delivery. Make sure you submit any replacement forms requiring a signature with the application. Be sure to retain copies of all materials for your own records.
- Submit the Sales Material List with the application. In states that have adopted the Replacement Model Regulation, this form is required for all replacements, even if sales materials are not used.

Prohibited and Restricted Practices

Nassau has established policies concerning source of funds, acceptable payments and other business practices that may not be included in this guide. Ultimately, you should know your client and are responsible for acting in your client's best interest.

Conflicts of Interest

Producers must not place their own (or the insurer's) financial interest ahead of the client's best interest and should avoid any circumstances that may be construed as a conflict of interest. Examples include, but are not limited to:

- Serving as Trustee, Power of Attorney, Custodian, Guardian Conservator or Executor for your client or your client's immediate family member.
- Being named as owner, beneficiary or assignee of any policy or contract covering your client.
- Holding a beneficial interest, current or future, in any property owned by your client or your client's immediate family member.

With respect to your client or your client's immediate family member, you should never:

- Accept gifts
- Make gifts
- Borrow or lend money or other assets
- Comingle your client's funds with your own

You are required to disclose if you or any parent, subsidiary or affiliate of the producer have any material ownership interest in the insurer or any parent, subsidiary or affiliate of such insurer issuing the annuity contract.

Money Laundering

Anti-Money Laundering (AML) training is required by Nassau. The AML training is required every two years and may be completed on LIMRA.com. We will also accept an AML training certification from RegEd. Nassau has a Producer's Guide to Anti-Money Laundering on SalesNet that provides details and links to the training sites.

Rebating

Rebating occurs when an applicant is provided with something of value that is not mentioned in the contract as an inducement to purchase a product. Rebating is expressly prohibited by the terms of your Producer Agreement and/or Distributor Agreement.

Churning

Churning is an unethical practice wherein the producer encourages transactions that are not in the client's best interest in order to generate commissions. This is often done by encouraging the client to replace existing policies with new ones despite surrender charges, loss of death benefit, and/or lack of suitability. It is your responsibility to carefully review your client's financial situation as well as his or her long and short-term goals before suggesting a replacement.

Recycling

Recycling is when a producer replaces one Nassau contract with another Nassau contract without disclosing the transaction as a replacement.

Trust Mills

A trust mill is a marketing scheme designed to sell annuities, usually with a focus on senior citizens. While the details of trust mills may vary, they share the common characteristic of misrepresentation of identity and purpose. Many times, the scheme takes the form of a seminar, complimentary dinner or informational session on estate planning, when the actual business of the sales representative is to sell insurance products. Nassau does not condone this sale practice and will take action against anyone known to engage in such activities.

Reverse Mortgages and Home Equity Loans

Nassau will reject any application that includes a reverse mortgage or home equity loan as a source of premium. If it is discovered after a contract is issued that this type of transaction was used, the contract will be rescinded and Nassau will refund the premium and chargeback all commissions received from the sale.

Medicaid Planning and Veteran's Affairs Planning

Deferred annuity contracts, such as those offered by Nassau, are **not suitable** for use in Medicaid Planning or Veteran's Affairs Planning. Nassau will not accept any application for a deferred annuity if the purchase is intended to qualify an individual for Medicaid, VA benefits, or any other similar state or federal aid program.

Personal Services Contracts

Nassau does not permit the sale of its products in connection with a Personal Service Contract.

Power of Attorney (POA)

It is important to be sure that anyone signing on behalf of the applicant is acting within the bounds of the POA document and that there is no conflict of interest. If your client is signing as POA or having someone else sign on his or her behalf, you will need to submit the fully executed Power of Attorney document with the application.

Stranger Originated Annuities

In a Stranger Originated Annuity (STOA) transaction, producers or investors offer to pay a fee to a client as compensation for using the client's identity to purchase an annuity offering a high return in the form of a guaranteed death benefit, premium bonus or other guaranteed benefit. Those selected for participation are usually in poor health and are unlikely to live past the first year of the policy. These individuals are often targeted through solicitations in nursing homes and hospices. In most STOA cases, a trust, corporation or LLC is named as the beneficiary of the death benefit in order to hide the true identity of the person who will benefit from the owner's death. Nassau does not condone the use of STOA arrangements. If you have reason to believe that such an arrangement is involved in the purchase of an annuity, do not submit the application to Nassau.

Stranger Originated Life Insurance

Stranger Originated Life Insurance (STOLI) means an act, practice or arrangement, at or prior to policy issuance, to initiate or facilitate the issuance of a life insurance policy for the intended benefit of a third-party investor who has no insurable interest in the life of the insured. Individuals solicited for STOLI often are told they can receive "free" insurance coverage for a year or two, with the option to retain the policy by repaying a premium loan. Several programs pay the insured an advance fee for their insurability. Individuals who purchase STOLI often face issues such as unanticipated tax liabilities, high legal fees, increased life insurance premiums for senior citizens, and an inability to obtain needed life insurance in the future.

Vulnerable Persons

Insurance products have become complex over the past few years and the insurance industry is extremely aware of the growing issue of financial exploitation of vulnerable persons. As such, Nassau is making every effort to educate its producers to be aware of red flags when working with vulnerable persons, as well as your responsibilities to protect both the vulnerable person and yourself.

The industry definition of a vulnerable person is anyone over the age of 60 (considered a "senior"), a disabled individual over age 18 or an individual with diminished capacity due to substance abuse, trauma, etc. As a representative of Nassau, you must be aware of your client's competence without trying to make a medical diagnosis. It is important to be able to recognize the red flags and know what to do about them.

Red flags that may indicate a person with diminished capacity:

- Disorientation to time and place.
- Memory loss (e.g., difficulty remembering current events or name and date of birth).
- Repeats questions frequently.
- No recollection of signing documents or requesting a specific transaction.
- Confusion (e.g., gets lost coming to the office, has difficulty moving around the office).
- Changes in mood, behavior or personality.
- Difficulty following a conversation or repeating statements just made.

What can you do if you suspect a person has diminished capacity?

- Determine if there is a Power of Attorney (POA) on file and ask for permission to contact the POA.
- Send follow-up letters to clients or POA documenting what was discussed in each meeting.
- Ask permission to have a family member or friend attend your meetings.
- Understand your company's process for escalating concerns.
- Understand the laws in your state concerning vulnerable person consumers.

What can you do if you suspect financial exploitation?

- Tactfully question the client's intent for any transactions that seem out of character.
- Verify documentation of any individuals acting on behalf of your client.
- Escalate any situation that you feel is not in accordance with the suitability guidelines of your firm or Nassau.

Sales to Consumers Over Age 80

Nassau recognizes that consumers in their 80s, or later stages of retirement are confronted with unique financial circumstances, needs and objectives. Age is one of many important considerations when exploring financial options for seniors and is a critical component of a comprehensive evaluation of financial objectives for your senior clients.

Along with regulatory bodies, Nassau has an increased awareness for consumers over age 80 and requires that any recommendation to replace an existing policy demonstrate a substantial financial benefit over the life of the contract. Please refer to Nassau's position on Suitability and FAQ located on our website (<https://salesnet.nsre.com/compliance.html>) for more detailed information regarding these types of sales. A pre-issue call out from a Suitability Analyst to the client is required for all cases.

Advertising and Marketing

Advertising

All materials not produced by Nassau that mention Nassau, its products or services in any way, including marketing, advertising, training or other materials, must be approved by our Compliance Department before use. This includes flyers, brochures, pamphlets, illustrations, videos, presentations, letters, lead-generation forms/devices (paper and online), electronic messages (including email, InMail and text messages) and information posted on websites, including social media.

Life insurance and annuity advertisements are subject to strict state insurance regulations which prohibit misleading advertising. An advertisement may be viewed as misleading based on individual words or statements used in the advertisement as well as the overall impression of the ad. "Advertising" is defined broadly under these regulations and can include any materials used with the public and designed to generate insurance premium or designed to create interest in the concept of insurance, a particular insurance company or

particular insurance product. It's important that you become familiar with NAIC advertising guidelines as well as any regulations specific to the state where you're using solicitation and other advertising material.

Before you submit any advertising materials to Nassau for approval, here are some requirements to consider:

- **Clearly identify the type of product (if applicable) and the name/location of the insurance company.** Also include the form number of the policy advertised, if applicable. Nassau's Compliance Department can provide this information to you in advance, if needed.
- **Ensure all materials are true and accurate, as well as fair and balanced.** Only use statements which are supported by facts and not by implication. When promoting the positive features of a product, ensure the negative features (such as non-guaranteed elements and related exclusions or limitations) are also clearly disclosed.

- **Do not use terms or tactics which may be considered misleading.** Avoid the terms “deposit,” “profit,” “profit sharing,” “interest plan,” “savings,” “savings annuity,” “certificate of annuity,” “CD annuity,” “savings plan,” “private pension plan,” or other similar terms in a manner which implies a consumer will pay something other than insurance premium or be purchasing something other than an insurance policy or contract. Also, avoid any words or combination of words/phrases which may create fear or a false sense of urgency or excitement.
- **Any statistics used must be recent and relevant.** Generally, statistics more than three years old are considered outdated and misleading. The original source and date of statistics must be footnoted.
- **Testimonials and endorsements must be genuine and represent the current opinion of the author.** Any financial interest, compensation from or relationship to the insurer/producer must be clearly indicated.
- **Illustrations included on advertising materials must be fair, current and accurate.** Avoid using rates or values in excess of the rates on policies currently issued and be sure to include both guaranteed and non-guaranteed elements.
NOTE: If you require an illustration for any Nassau product, see “Run Quotes” on SalesNet to generate approved illustrations.

This is only a summary. Additional requirements may apply and Nassau’s Compliance Department reserves the right to require changes to any submitted advertising materials before an approval is provided.

Marketing Concepts

Nassau makes every attempt to provide you with balanced, informative marketing materials that you may share with your client. It is important to remember and know your audience when marketing insurance products and their riders. It is equally important that you cover all aspects of a product and rider. Do not focus only on what might be considered a “hot item” such as a premium bonus or annual roll-up. Your clients need to understand all of the features and how some features may impact each other. For example, the impact of excess withdrawals on guaranteed lifetime withdrawal payments. This information can be found in the Product and Rider Disclosure Documents.

You should leave copies of all marketing materials with your client and be sure to document what they are in your records. Be sure to list all marketing materials that were used on the Nassau Sales Material List and submit it with the application.

Additional Items to Keep in Mind

Required Forms

Accurately complete all required application forms, disclosures and supplemental materials. For your convenience, all required forms, disclosures and supplemental materials required as part of the solicitation or application process can be found on Salesnet at <https://salesnet.nsre.com/quote/public-apps-forms-search.html>. Ensure that both you and your client sign the signature pages of the Application, Suitability Questionnaire, Product Disclosure, and any applicable Rider Disclosures or other required disclosures.

Client Confidentiality

You are required to protect the privacy of your clients’ personal information. With the exception of certain disclosures required by state and federal law, any information you obtain from your clients should be kept strictly confidential.

Nassau includes a Privacy Notice with each application outlining how and why we need specific information and how we work to keep it confidential. A new Privacy Notice is also sent annually to each contract holder.

Non-Resident Sales

A non-resident sale occurs when an individual purchases an insurance product in a state other than his/her primary resident state. Generally, insurance products should be solicited in the state where the applicant resides. Traveling to another state solely for the purpose of purchasing an insurance product is prohibited. However, there are some instances where it may be permissible for an applicant to sign an application and purchase a product in a state other than his/her resident state. Nassau will review all incoming applications and monitor pre/post issue activity to ensure compliance with suitability standards, state regulations and company policy. If you submit an application involving a non-resident sale, you and your client must complete our Non-Resident Sales Acknowledgment form and submit it along with the application.

Nassau will **NOT** issue insurance products to residents of Arkansas, Massachusetts, Mississippi, Minnesota, New York (FIA sales only), Utah, Washington and Wisconsin when applied for outside of their resident state. A violation of these rules may result in the suspension and/or termination of your right to sell Nassau products and reporting by Nassau to appropriate regulatory and other authorities.

Military Sales

The Military Sales Model Regulation has been adopted by all states and provides clear standards for sales of insurance products to active duty, full-time military personnel, including members of the National Guard and Reserve. Insurance products may not be solicited on a military installation. If your client is in the military, you must provide a completed Military Disclosure form.

For Producer Use Only. Not for use with the general public as sales literature. Lifetime payments and guarantees are based on the claims-paying ability of the issuing company.

Annuities issued by Nassau Life and Annuity Company (Hartford, CT) except in New York where annuities are issued by Nassau Life Insurance Company (East Greenbush, NY). In California, Nassau Life and Annuity Company does business as "Nassau Life and Annuity Insurance Company." Nassau Life and Annuity Company is not authorized to conduct business in MA, ME and NY, but that is subject to change. Please visit the State/Product Availability page on salesnet.nsre.com for current state-specific issuing company information. Nassau Life and Annuity Company and Nassau Life Insurance Company are subsidiaries of Nassau Financial Group. The insurers are separate entities and each is responsible only for its own financial condition and contractual obligations.