



**THE SAVINGS BANK LIFE INSURANCE
COMPANY OF MASSACHUSETTS
SALES MARKET CONDUCT MANUAL**

FEBRUARY 2015

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I. INTRODUCTION

This manual documents The Savings Bank Life Insurance Company of Massachusetts (SBLI or the Company) guidelines and procedures for the business conduct of those who sell our products. References to producer(s) in this manual include individuals, whether they are employees or independent contractors, who are licensed and appointed by us to sell our products.

This manual will be revised periodically. Producers and their staff should retain this and future editions and updates for their continued reference. While this manual is maintained in an electronic format on our Website, feel free to print a copy for your files. This manual is effective as of October 2012 and supersedes any earlier guidance.

Please bear in mind that this manual is not an all-inclusive compilation of state insurance laws or your responsibilities when selling an insurance product, but provides our general guidelines. This manual does not replace or override instances in which state insurance laws vary and/or differ from one another.

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II. ADVERTISING

SBLI makes available to producers pre-approved, ready-to-use print ads, as well as sales and advertising materials to assist your prospecting efforts. Under the terms of your contract with SBLI, you must submit any producer created advertising material for approval prior to use. The Advertising Approval Request Form (K-103) can be found on SBLIAgent.com. It must be submitted to the Compliance Department and the following guidelines need to be observed.

Advertising is any material used with potential customers to promote interest in the Company, its products or its producers, such as print ads, billboards, posters, brochures, inserts, circulars, leaflets, booklets, TV or radio scripts, prepared sales talks, presentations for use by producers, Internet advertising (including email and text messaging), site copy, flyers, direct mail pieces or form letters.

1. General Advertising Guidelines

- a) Any variation on Company-provided material or any individual piece a Producer desires to use for customer solicitation must be submitted to the SBLI Sales and Marketing department for written approval prior to publication

or use. Allow at least 10 days for the review process.

- b) If a new ad, the Compliance Department will assign a tracking number which should appear on the bottom right corner of the ad. Radio or TV ads don't need to reference a tracking number during the ad but the written text of the ad should contain the number. Be sure to use the same number on all re-runs. We will assign a different number if the text is later altered.
- c) If the advertisement is for a specific policy, such as Guaranteed Level Premium Term Life Insurance, the policy form number needs to be listed on the bottom left hand corner, if a printed ad, or referenced orally in a radio or TV ad.
- d) Clearly identify the full name of the Company (i.e., "The Savings Bank Life Insurance Company of Massachusetts" or in Connecticut "Centrian Life") in the body of the advertisement; additionally the address of the company should be included.

2. Social Media Ads

Social Media is the collection of tools and online spaces available to help individuals and businesses accelerate their information and communication needs with other individuals. Examples of Social media sites include Facebook, Twitter, Myspace and LinkedIn. It is very important to remember, that the use of a Social Media site to solicit or induce a person to purchase or inquire about an SBLI life or annuity product, would be considered solicitation and must follow our normal advertising pre-approval process.

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III. PRODUCER TRAINING AND CONTINUING EDUCATION

Clients look to insurance professionals to serve their insurance and financial needs properly and to be well informed about the products they sell. To this end, the Company is committed to making available information on its products and services to

ensure that its affiliated Producers have the opportunity to be well informed. In addition, the Company strongly encourages its appointed Producers to participate in continuing education.

The Company is interested in feedback from Producers regarding training, and Producers are encouraged to provide the Company with an evaluation of completed courses.

1. Understanding Company Products

In order to meet the insurance needs and financial objectives of customers, Producers must fully understand the features and operation of the products and services offered by the Company. To position our Producers to serve their clients, information regarding the Company's products is available on SBLIAgent.com. In addition, the Company has created product reference material for each of its available products. This material sets forth the relevant features, including costs and benefits, of the Company's products as well as the operation of such products.

The Company regularly updates its product information and makes such updated information available to its Producers via SBLIAgent.com. The Company requires that Producers obtain, review and be guided by the product information available from the Company.

2. Compliance Training

The regulatory and legal landscape has been significantly reshaped over the past few years. As a matter of personal development and good business sense, it is incumbent upon every Producer to understand fully the compliance environment in which we all must operate. This manual provides Producers with vital compliance information with which each Producer must be thoroughly familiar.

3. Continuing Education and Self-Development Activities

Many states require that Producers participate in continuing education as a condition to retaining their insurance licenses. Producers are individually responsible for completing any required continuing education and maintaining their licenses.

The Company also encourages Producers to participate in other educational and self-development activities above and beyond minimum license renewal requirements.

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IV. PRODUCER LICENSING, RECRUITING AND APPOINTMENT STANDARDS

1. All Producers Must Be Properly Licensed and Appointed

The Company is committed to recruiting, contracting and appointing Producers of high quality and integrity. Each state has its own set of licensing and appointment requirements with which Producers and the Company must comply in order to transact business. Producers are prohibited from selling or engaging in any sales activity without being properly licensed and appointed in accordance with the requirements of the state where the solicitation takes place, the application is written and the policy is delivered, including the requirements of the state of residence of the applicant. Violations of these requirements may result in disciplinary action and penalties imposed by the state, including fines and revocation of licenses.

2. Licensing Status

Producers are responsible for renewing their licenses (including completing any continuing education requirements) and ensuring that the Contracting and Licensing department receives a copy of the renewed license prior to any expiration date.

Producers must immediately inform the Contracting and Licensing department of any license suspension, revocation or any other state disciplinary action against them. When requested by the Contracting and Licensing department, Producers are required to provide copies of any licensing forms or associated documents sent to or received from the state insurance department.

3. Contracting and Appointment Standards

Determining whether candidates are contracted and appointed is within the sole discretion of the Company. The Contracting and Licensing department, in consultation with other departments as necessary, will investigate and consider, using the factors set forth below, the overall merit of candidates and determine

whether they are of sufficiently good character and reputation to be appointed as Producers for the Company. The Company reserves the right to refuse to accept candidates for any reason. The Contracting and Licensing department may refer the results of an investigation to the Compliance Department for further deliberations. We will conduct background checks on all candidates prior to licensing and appointment.

4. Special Provisions Applicable to Candidates Convicted of Certain Felonies

Federal law 18 USC §§ 1033(e)(1)(A) and (B) prohibits a Company from appointing any individual who has been convicted of any felony involving dishonesty or a breach of trust, without the specific written consent of the appropriate insurance regulatory officials. The Company reserves the discretion to refuse to appoint candidates who have been arrested or charged in a criminal matter.

5. Appointment Termination and Notification

Information discovered subsequent to appointment establishing that the Producer does not satisfy Company standards or any activities occurring after an appointment that violate Company guidelines and policies may result in disciplinary action, including termination of the Producer's appointment. Termination of the Producer's contract may result in the revocation of all appointments with all Company affiliates the Producer has been authorized to represent.

The Contracting and Licensing department or, if appropriate, the Compliance Department ordering the termination will inform the Producer in writing of the date on which the Producer's sales contract is terminated.

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V. COMPLAINTS

Working earnestly to resolve customer dissatisfaction strengthens relationships with existing customers and helps enhance the Company's and the Producer's reputation for responsive service. Additionally, it is important to accurately record complaints in order to comply with various state laws.

a) What is a Complaint?

SBLI follows the NAIC definition of a complaint, which is a "written communication primarily expressing a grievance". If a complaint comes in to

SBLI in a non-written format (i.e. telephone, walk-in), the person attempting to make the complaint should be advised to put the complaint in writing.

b) Reporting Complaints

Direct Channel:

All SBLI related complaints or complaints related to a Producer should be forwarded to SBLI's Conservation Officer. The Conservation Officer will document the complaint using the "Record of Complaint" form and attempt to resolve the complaint in a timely manner.

Independent Distribution Channel:

All SBLI related complaints or complaints related to a Producer should be forwarded to your manager. If deemed appropriate, the manager will then contact the SBLI home office.

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VI. CONFIDENTIALITY OF CUSTOMER INFORMATION

It is the policy of SBLI to comply with the privacy requirements of the federal Gramm-Leach - Bliley Act and state law. SBLI is dedicated to keeping all information we obtain from consumers and customers private and secure as required by law.

As a Producer for SBLI you are contractually obligated to ensure that all information you obtain in an insurance transaction is kept private and confidential. There are physical, electronic and administrative steps you need to take each day to fulfill this obligation. These steps are outlined in the following Privacy Training.

The following is an invaluable resource to ensure that you know SBLI's requirements of Producers for Privacy and Safeguarding Customer Information. It will take only a few minutes to review these requirements.

Privacy Training:

1. It is SBLI's strict policy to comply with all state and federal laws regarding:

- a) Privacy of all Customer Information; and
- b) Physical and electronic protection of all Customer Information;

2. As an SBLI Producer, you have a pivotal role for ensuring the highest standard of Confidentiality of all Customer Information.

3. Customer Information Includes:

- a) A Customer's Name
- b) All information on Applications and Policies
- c) Information on any Forms Submitted
- d) Financial Information
- e) Medical Information
- f) Personal Information

4. To protect the Confidentiality of Customer Information you need to know:

- a) Privacy Requirements
- b) When Customer Information Can be Released
- c) How to Safeguard Customer Information
- d) How to Detect and Prevent Identity Theft

5. Do Not Contact

IMPORTANT:

- a) If you sell our products, remember you cannot cold call, or send out junk emails or faxes to people. There are laws that prohibit that type of solicitation
- b) Make sure all emails or fax advertisements are approved by the Compliance Department (see Section II – ADVERTISING)

6. Privacy

To sell insurance products, SBLI collects personal, financial and health information about customers from several places, including the customer, medical providers, credit bureaus, Medical Information Bureau, other insurers, Department of Motor Vehicles and other sources.

7. All Information is Confidential!

- a) No matter what the source
- b) Even the fact that a person is a customer is confidential

8. Privacy Notices

- a) We provide Privacy Notices when a customer takes out an application and when they receive our products
- b) Annually we send out a privacy notice to each customer
- c) A customer can refer to our website for SBLI Privacy Notices

- d) A customer can request more information about our privacy practices by sending a request to our Chief Compliance Officer.

9. Who Can Get Customer Information?

SBLI will not release any information about a customer, unless the customer authorizes us to do so, or unless such release is allowed by state and federal privacy laws.

10. Information may be made available to the following:

- a) The Customers themselves
- b) An Owner of a policy
- c) An Individual with a valid durable power of attorney
- d) A Guardian or conservator
- e) People with legal court orders or summons
- f) SBLI Producers with a legitimate business purpose
- g) Our affiliates that perform insurance services for us by contract

11. When a Customer Asks

- a) You Can Let The Customer Know About Our Privacy Policies:
 - 1) That we only share information with business partners (e.g. MIB or reinsurers)
 - 2) In the rare situations where we engage in joint marketing, there are strict confidentiality parameters in place
 - 3) That we never sell or rent their personal information to outside parties
 - 4) That all employees are only exposed to what they need to know to perform their job
- b) We Do Not Release or Discuss Customer Information With:
 - 1) A customer's spouse, parent, child or other relative unless specifically authorized in writing
 - 2) A customer's attorney, power of attorney, guardian or conservator unless the legal department authorizes the release
- c) We Do Not Release or Discuss Customer Information With:
 - 1) Any fellow employee who has no need to know
 - 2) Any family member or friend
 - 3) Any outside vendors unless specifically authorized as a valid vendor with a contractual relationship with our company
- d) Remember, as our producer you serve as the front line in protecting the privacy of our Customers and their information
- e) Never release any information unless you are certain it will not violate our Privacy Requirements

12. Correcting Information

If a customer contacts you while applying for a policy and informs you that the information we have is incorrect, forward that information immediately to the SBLI Underwriting department. They have a process in place to correct the record or address any adverse underwriting challenge.

13. Safeguarding Customer Information

Knowing when you can and cannot release customer information is the first step in following our Privacy requirements. The second is learning how to safeguard that information in your day to day duties.

14. You are responsible for protecting the information that is in your control by following all of the following physical and electronic safeguards

- a) Unless there is a Legitimate Business Purpose, Customer Information should **NOT** be:
 - 1) Copied
 - 2) Shared
 - 3) Taken Home
 - 4) Repeated
 - 5) Copied or Moved Electronically
- b) Keep your desk neat and organized in a manner that ensures customer information is not exposed to those without a legitimate business purpose.
- c) Properly dispose of Customer Information in bins to be shredded or shred the information personally.
- d) When Customer Information leaves the workplace, it is absolutely necessary that you make sure all information is kept secure and in your control. Immediately report to the SBLI Compliance Officer any individual (outside or inside your work place) that asks you for Customer Information when they have no legitimate purpose for that information.

15. Identity Theft

Insurance companies have a wealth of information that could be used for identity theft purposes.

- a) You are responsible for ensuring the confidentiality of that information by following the company's policies and procedures for privacy and safeguarding customer information
- b) Beware of fellow producers or people outside the work force asking you to provide information about our customers to them

- c) Any release of the information without a legitimate job purpose will result in termination of your company appointment and contract, as well as possible civil or criminal sanctions.

16. To Report Any Breach of Privacy or of Confidentiality of our Customer Information:

Go to the Compliance section under Guidelines on the top horizontal navigation bar of SBLIagent.com and Print a Compliance Incident Report (SA-3).

- a) Complete the report and send it to the SBLI Chief Compliance Officer. You will not be terminated or discriminated against for reporting any breach

17. Questions?

For any questions regarding Privacy, Identity Theft or Safeguarding Information please contact the Compliance Department.

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VII. CONFLICTS OF INTEREST

1. It is vitally important for Producers to realize that various agreements or transactions they might want to engage in with customers may be inappropriate or even unlawful. Although it is fundamental that you must act in the best interests of the customer and not your own when selling life insurance and annuity products, some Producers fail to recognize how important it is to avoid both apparent and potential conflicts of interest. With respect to transactions involving SBLI customers, SBLI producers should keep in mind the following points:
 - a) You must not be or become the owner of a policy or contract other than one insuring your life, that of a close family member, or a business associate in who you have a demonstrable insurable interest.
 - b) You must not be or become the designated beneficiary of a policy or contract other than one purchased and/or owned by you or a close family member.
 - c) You must not be or become a collateral assignee of a policy or contract owned by anyone other than a close family member.
 - d) You must not be or become the trustee of a trust that owns a policy or contract other than one insuring you or a close family member.
 - e) You must not be or become the holder of a Power of Attorney over the property of a customer, particularly if such power is exercisable with respect

- to SBLI life insurance policies or annuity contracts.
2. Other conflict of interest issues can arise within the context of an agent-client relationship. While strong customer relationships and persistent business are generally encouraged, the following transactions between SBLI producers and SBLI customers are prohibited:
 - a) Lending money to a customer
 - b) Borrowing money from a customer
 - c) Commingling your funds with those of a customer
 - d) Making any unauthorized transactions including the submission of applications contrary to the wishes of the customer
 3. Please also realize that engaging in any such activities does not only result in possible termination of your SBLI producer contract, but could be a violation of state law which would subject you to any applicable statutory fines or penalties and possibly result in revocation or suspension of your insurance license.

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VIII. CUSTOMER SIGNATURES AND CORRESPONDENCE

Producers are not permitted under any circumstance to sign a customer's name (this includes initials). Signing a customer's name will subject the Producer to disciplinary action by the Company, up to and including termination. This includes the applications, disclosures, illustrations, delivery receipts and any other forms associated with the policy. Forgery is a criminal offense and carries severe consequences, not only from SBLI, but from regulatory authorities as well.

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IX. DO NOT CALL

1. Appointed Producer Do Not Call Procedures

There are multiple state and federal laws that affect how you may call a consumer. It is your responsibility to make sure your office is in compliance with these laws. For example, if you call a consumer that has no business relationship

with your office, you need to utilize the appropriate state or federal “Do Not Call” phone lists.

2. Home Office Producer Do Not Call Procedures

There are multiple state and federal statutes and regulations that apply when a consumer **Does NOT want to be Called**. SBLI has adopted specific Do Not Call procedures in order to be in compliance with these laws, as outlined below. Violation of these procedures can subject the company to hefty financial penalties and legal liability and may result in the termination of employment.

3. Telephone Criteria

Do not make any unsolicited calls!

Calls may only be made from 8:00 a.m. to 9:00 p.m., with the time to be based on where the consumer is located.

a) Within the first 30 seconds give:

- 1) Your name
- 2) Our company’s name (*For **Connecticut** consumers, only identify the Company as **Centrian Life Insurance** and yourself as a licensed Producer of Centrian Life Insurance. Reference to SBLI or Savings Bank Life Insurance in Connecticut is a trademark violation and subjects the company to legal liability*)
- 3) The purpose of your call
- 4) Make only calls to individuals with whom you have either:
 - a. Been given their affirmative consent and express agreement
 - b. Have had a consumer initiated contact within the last 90 days

4. If an individual does not want to be called anymore, then:

a) Record the request with the following information:

- 1) Name
- 2) Address
- 3) Telephone number
- 4) Date of the request

b) Change the status of the individual on Intertask to “Do Not Solicit”

c) Forward the request in the following manner:

- 1) **If the request came in by a telephone call**: email the person’s name, address and telephone number and date of request to DONOTCONTACT@sbli.com for recordation.
- 2) **If the request came in by email**: forward the email to DONOTCONTACT@sbli.com.
- 3) **If the request came in by fax or regular mail**: send the request to the

Do Not Contact office in the Marketing Department.

5. If the **individual requests verification** that they have been added to our “Do Not Call” list, send the request to DoNotContact@sbli.com.

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X. ILLUSTRATIONS

Illustrations may provide consumers with helpful representations of life insurance policies in order to help them understand the guaranteed and nonguaranteed elements of their policies. As such, complete and accurate illustrations can aid your efforts to provide consumers with information consistent with making buying decisions that are in their best interests. To ensure that illustrations serve their proper end, it is important that illustrations be presented in a manner that is consistent with applicable laws and regulations and are otherwise fair and appropriate.

1. Definition

An illustration is a presentation or depiction that shows certain nonguaranteed elements of a policy of life insurance over a period of years. There are three types of illustrations:

- a) Basic illustration: a ledger or proposal used in the sale of a life insurance policy that shows both guaranteed and nonguaranteed elements;
- b) Supplemental illustration: an illustration furnished in addition to a basic illustration. A supplemental illustration may be presented in a format differing from the basic illustration but may only depict nonguaranteed elements as permitted in a basic illustration; and
- c) In-force illustration: an illustration furnished at any time after the policy it depicts has been in force for one year or longer.

2. Creation of Illustrations

Producers are permitted to use only basic illustration software developed by the Company and supplemental illustration software developed by the Company or approved by the Company prior to its use. Producers are not permitted to alter the assumptions underlying, or operation of, any Company-developed or approved software. Producers must ensure that the illustrations or software they use are generated from the Company's most current software. Producers may not under

any circumstances use outdated illustration software or present inaccurate illustrations or omit or delete information contained in an illustration, including footnotes to the illustration.

3. Presentation of Illustrations

When presenting an illustration (including a supplemental illustration), Producers should inform the client that the illustration is not a projection or a guarantee of performance but is merely a statistical representation of a policy's guaranteed and nonguaranteed elements. In explaining the illustration, Producers must not describe or present the illustration and nonguaranteed elements in a manner that is misleading or has the capacity or tendency to mislead. This prohibition includes, among other things:

- a) Representing the policy as anything other than a life insurance policy
- b) Using or describing nonguaranteed elements in a manner that is misleading or has the tendency to mislead
- c) Stating or implying that the payment or amount of nonguaranteed elements are guaranteed
- d) Using an illustration that is not in the form prescribed and provided by the Company
- e) Providing an applicant with an incomplete illustration
- f) Altering the illustration in any way, including making any notation or marking on the illustration or instructing the consumer to make a mark or notation (except where the customer signs and dates the illustration) or deleting any columns or footnotes
- g) Representing in any way that premiums will not be required for each year of the policy in order to maintain the illustrated death benefit, unless that is a fact; and
- h) Using the terms vanish, vanishing premium, limited pay or similar terms that implies that the policy becomes paid up to describe a plan for using nonguaranteed elements to pay a portion of future premiums

4. Delivery of Illustrations, Signed Illustrations and Record Retention

Illustrations assist consumers in understanding the functioning of the product that they purchase and also provide an important documentary record of the transaction. Illustrations can therefore be a useful tool in refreshing customers' recollections regarding the merits of their purchase and can help protect Producers in the event a customer later becomes confused. To protect you and your clients better, and

subject to any additional obligations imposed by an individual state's law, Producers must follow the guidelines as set forth in the NAIC Model Illustration Regulation for policies that may require an illustration.

- a) If a Producer provides an illustration in connection with an in-person sale of a yearly renewably term or whole life insurance policy and the policy is issued as applied for, the Producer must submit a signed copy of the illustration to the Company with the application and provide a copy to the client. A signed copy also should be maintained in the Producer's files.
- b) If a Producer provides an illustration in connection with an in-person sale of a yearly renewable term or whole life insurance policy and the policy is issued other than as applied for, the Company will issue a revised basic illustration conforming to the policy as issued at the time of delivery of the policy by mail, including instructions for the client to sign the duplicate copy of the illustration and return the signed copy to the Company.
- c) If the Company sends a copy of the basic illustration to the client by mail, the mailing will include a self-addressed, postage-prepaid envelope and instructions for the client to sign the duplicate copy of the illustration and return the signed copy to the Company.

5. Supplemental Illustrations

A Producer may present a supplemental illustration only where it is appended to, accompanied by or preceded by a basic illustration. The supplemental illustration may not show nonguaranteed elements that are more favorable to the client than the corresponding elements based on the scale used in the basic illustration. Supplemental illustrations must include the same statement required of basic illustrations that nonguaranteed elements are not guaranteed. The premiums shown in the supplemental illustrations must be the same as those shown on the basic illustration. Each supplemental illustration also must include a notice referring to the basic illustration for guaranteed elements and other important information.

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XI. NON-RESIDENT SALES

When the location of sale is not the primary resident state, SBLI will accept such an application only when the following guidelines and requirements are met:

1. The ***entire*** sales process must occur in the state where the application is being submitted. That means ***ALL*** solicitation, communication (including phone calls, emails and even text messages), completion, signing and delivery of the application and policy must occur while the applicant/owner is in that non-resident state.
2. All sales material, advertisements, or illustrations (and of course the policy) must be approved in the non-resident state.
3. There must be some nexus to that non-resident state, which can include:
 - a. An applicant/owner maintains a secondary residence in that state (such as a vacation home, or if the person is a college or post graduate student)
 - b. An applicant/owner works or maintains a business or has regular business dealings in that state
 - c. An applicant/owner as some other demonstrable connection to that non-resident state (regular and frequent visits to the state which can be proven)
 - d. If the applicant/owner is a trust, the residence of the individual trustee or office of a non-natural trustee will govern
 - e. The applicant/owner makes periodic visits to the state or has other strong ties to the state such as family
4. The producer must be licensed and appointed to sell in the non-resident state, and meet all other licensing requirements (such as Anti-Money Laundering or Continuing Education training requirements).
5. The application must be accompanied by a fully completed and signed SBLI Form A-91OSV (Centrian Form DA-91OSV) "Out of State Verification."

Additional Information

State insurance departments will not tolerate Producers who deliberately break the rules in the course of selling products to citizens outside their state of residence. Therefore, SBLI will monitor all cross border sales and will take appropriate action to remedy situation that do not conform to this policy. Depending on the circumstances, particularly based on the frequency of such sales, SBLI may require the Producer to obtain a license in a state rather than engage in a cross border sale.

Failure to conform to the guidelines above could result in policy refunds, commission chargebacks or other disciplinary action.

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XII. PATRIOT ACT AND ANTI-MONEY LAUNDERING

As an insurance producer, your skills and services help your clients achieve financial success and security. Because you are on the front lines of a multi-billion dollar industry, you are in a unique position not only to serve your clients, but also to serve the country by helping prevent money laundering and the financing of terrorist activities.

To comply with federal anti-money laundering (AML) regulations for insurance companies, SBLI has adopted a detailed anti-money laundering program. You have an important role to play in that program. As a person who deals directly with customers, you will often be in a critical position to obtain information regarding the customer, the customer's source of funds for the products you sell, and the customer's reasons for purchasing an insurance product.

1. You are required to take AML training

You are required to complete an AML training course every two years. The training is offered through LIMRA. SBLI will also accept other training courses as specified in Compliance Bulletin 11-03.

2. The SBLI AML program applies to only:

- a) Our annuities and life insurance products with cash surrender and loan value or
- b) Transactions that involve or an aggregate of at least \$5,000 in funds (in any form) or other assets.

Remember, it is against SBLI's policy to accept cash payments or cash equivalents, over \$3,000. Cash equivalents include money orders and travelers checks.

In order to sell individual annuities and life insurance, the company's anti-money laundering program requires you to ensure that all information requested on the product application and associated documents is accurate and complete.

Records of this information must be retained as long as the contract remains in force and for five years thereafter.

When a potential money laundering transaction has been identified, collect all paperwork and complete a Compliance Incident Report (SA-3). Compliance Incident Reports are available as a link in the Compliance Section of SBLIAgent.com. Within 24 hours of the incident occurring, forward the Compliance Incident Report along with all background information to the Anti-Money Laundering Compliance Officer at compliancereport@sbli.com.

3. Red Flags for Producers

- a) Customers who apply for a life insurance policy or annuity that appears to be inconsistent with their needs and has no obvious purpose.
- b) Customers who apply for a life insurance policy or annuity that appears to exceed their known income or liquid net worth.
- c) Customers who desire to make a payment of a large amount which is broken into small amounts.
- d) Customers who have little or no concern for the investment performance of an annuity or life insurance product, but are much concerned about the early termination features of the product.
- e) Customers who refuse or appear reluctant to provide identifying information, or who provide information that seems inconsistent or fictitious.
- f) Customers who provide a cellular telephone number as a home telephone number or a telephone number that has been disconnected.
- g) Customers who apply for multiple life insurance policies or annuity contracts in the same or different names.
- h) Customers who resist our company's payment terms or request methods of payment or financial terms or other departures from policy.
- i) Customers who pay with checks or wire transfers from an account of an unrelated third party or from multiple accounts.
- j) Customers who make wire transfers to or from offshore banks, nonbank financial institutions, or other financial intermediaries.
- k) Customers who make wire transfers to or from originators, beneficiaries, or banks in jurisdictions that pose a high risk of money laundering, terrorist financing or official corruption.
- l) Customers who make wire transfers to or from a foreign bank or a geographic location that does not make sense for them.
- m) Customers who make wire transfers when the individual ordering the wire is or the beneficiary is stated as "our good customer," "our valued customer" or "our customer".

- n) Other instances where there appears to be no apparent relationship between the owner or insured or annuitant and the beneficiary.
- o) Any other activity which you think is suspicious.

4. Advise customers that only the following types of payment may be accepted:

- a) Checks drawn on the customer's own Demand Deposit Account
- b) Teller's check withdrawn from the customer's own account
- c) Electronic Funds Transfers made from the customer's own account
- d) Wire Transfers made from the customer's own account in a United States bank
- e) Rollovers made from the customer's Employer Sponsored Retirement Plan
- f) Transfers or Rollovers made from the customer's Individual Retirement Plan
- g) Premiums paid with cash or cash equivalents (money orders, third party checks or travelers' checks)

Please check the compliance page on our website, SBLIAgent.com, for the most current list of acceptable forms of payment.

If a customer provides a form of payment that is not permitted, it should be returned immediately.

Current information on SBLI's Anti-Money Laundering Training Program is available on SBLIAgent.com.

The company and its producers share an important responsibility to comply with the company's program and all applicable anti-money laundering laws. A failure to do so will constitute grounds for discipline up to and including termination. In addition, violation of anti-money laundering laws may expose those responsible to substantial penalties under federal law.

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XIII. REPLACEMENTS

SBLI does not encourage its producers to replace existing life or annuity coverage as a marketing practice or method of doing business. This includes not only the replacement of life and annuity contracts issued by other companies, but also contracts previously issued by SBLI. Replacements should only occur when it is in the best interest of the client. All producers are responsible for knowing, and are expected to comply with,

SBLI's replacement policies and guidelines as outlined in this document. Each producer selling SBLI products is obligated to determine the appropriateness of each replacement according to the Company's guidelines before submitting an application to SBLI. In addition, all producers are expected to comply with the replacement regulations in all of the states where they are licensed to do business. Before a replacement policy or contract can be issued by SBLI, the Company must be reasonably satisfied that the new coverage meets the client's needs and objectives; that the client was fully educated on the pros and cons of a policy or contract replacement and that the appropriate Company and state specific forms were provided to the client. If the appropriate replacement forms for the state in which an application has been taken are missing, are not signed, or the replacement questions on the replacement form and/or Application for Insurance are not answered or are incomplete, SBLI cannot and will not issue a policy. Complete replacement documentation is an **issue requirement** and **NOT a delivery requirement**.

SBLI's Compliance Department is a resource which should be used if you have any questions regarding the replacement regulations in individual states, or if you have questions regarding SBLI's replacement guidelines in general.

Most states have adopted some version of the NAIC Life Insurance and Annuities Model Replacement Regulation. For those states that have adopted the Model Regulation, "best practices" dictate that if the applicant has any existing life insurance policies, or annuity contracts, the producer must present the state mandated replacement form regardless of whether there is intent to replace the existing coverage. For those states that have NOT adopted the most recent NAIC Life Insurance and Annuities Model Replacement Regulation, a replacement exists, and state required replacement forms need to be obtained only if the applicant has expressed an intent to replace existing life insurance or annuities.

1. What is a Replacement?

The replacement of life insurance and/or annuity occurs in any of the following situations:

When an applicant applies for any type of SBLI individual annuity contract or life insurance policy and owns an existing policy issued by SBLI or another company **AND** the producer knows, or with a minimum amount of inquiry could know, that an existing policy or contract has been, or will likely be:

- a) Surrendered, partially surrendered, changed in any way to reduce or eliminate benefits, changed so as to reduce the term of coverage or changed so as to reduce the amount of coverage provided
- b) Exchanged
- c) Lapsed

- d) Loaned against; including automatic premium loans
- e) Changed to reduced paid-up
- f) Made to go on extended term
- g) Reduced in value by policy loan, including use of the automatic premium loan provision
- h) Used as collateral for a third party loan
- i) Used to pay premiums on new insurance or annuity coverage

2. What is NOT a Replacement?

The following situations are not usually considered to be a replacement:

- a) Any life insurance policy(s) on the life of the insured or owned by the owner of the new policy, or annuity contract(s) owned by the owner of the new contract was lapsed, surrendered or otherwise terminated more than *four months* prior to the application for a new policy or contract. In addition, any existing life policies on the life of the insured or owned by the current owner, or existing annuity contract with the same owner, that lapses, is surrendered or otherwise is terminated *thirteen months* or more after issuance of a new policy or contract.
- b) The applicant exercises contractual changes or conversions NOT described in the “What is a Replacement” section above.
- c) The existing life insurance is non-convertible term insurance that will expire in five years or less and cannot be renewed.

3. When Might It Make Sense to Replace Existing Coverage?

As a general rule, replacing an existing annuity contract or life insurance policy with a new one is not in a policyholder’s best interest. Having said that, replacement is not something that should be avoided altogether because there are circumstances where it makes sense to replace an old policy with a new one. Below are some examples where it might make sense to replace existing coverage with a new SBLI policy:

- a) Insurance rates may be lower on the new SBLI term life insurance policy than on the existing term life insurance policy, allowing the applicant to increase coverage and/or extend the coverage period.
- b) The insurance needs of the applicant may have changed since the existing policy was issued, necessitating either increased coverage and/or coverage for a longer period of time. This could occur due to the purchase of a new home or the birth of a new child.
- c) The financial stability of the company that issued the existing annuity contract or life insurance policy may have deteriorated since the existing contract or

- policy was issued.
- d) The applicant's existing coverage is permanent insurance and the owner can no longer afford the premiums due to unforeseen and unavoidable financial problems.

4. What the Applicant Needs to Know About Replacing Existing Insurance:

The SBLI producer and the client should carefully review the client's existing coverage to assess whether a replacement is in both the short-term and long-term interests of the client. It is essential that the client share with the SBLI producer a copy of the existing insurance contract, any in force illustrations prepared for the policy and any other information that may be required to make an honest assessment of the need for replacement coverage. Factors that should be considered include (but are not limited to):

- a) Administrative costs and surrender charges associated with terminating the existing annuity contract or life insurance policy
- b) The ratings of both SBLI and the company to be replaced
- c) The overall comparative cost for coverage
- d) Differences in additional benefits and non-forfeiture options
- e) For policies that accumulate cash values, the ability to loan against the policy, the impact of loans on any dividends that might be paid on the policy and the interest rate to be charged on the loan
- f) A review of historical dividend levels for both policies (illustrations should be used for this purpose)
- g) Underwriting class of the existing policy as compared to the proposed policy
- h) The insurability of the proposed insured
- i) The applicant must be advised that the new SBLI policy will have a new two year contestability period AND a new two year suicide exclusion period
- j) The tax implications of surrendering the existing coverage need to be reviewed
- k) The producer should ALWAYS consider whether alternative solutions to the applicant's needs may be found within the existing coverage
- l) Finally, and most importantly, if after reviewing the pros and cons of replacing existing coverage the applicant decides to proceed with an application for SBLI insurance and surrender existing coverage, the existing coverage to be replaced SHOULD NOT BE SURRENDERED OR ALLOWED TO LAPSE UNTIL THE REPLACEMENT LIFE INSURANCE POLICY HAS BEEN ISSUED AND PREMIUM PAID

5. Producer Responsibilities in the Replacement of Insurance and Annuities:

As a licensed producer appointed by SBLI, you have a responsibility to your clients to be familiar with all of the replacement rules and regulations for the individual states in which you are licensed to conduct business. If you have any questions on the replacement rules and regulations for any jurisdiction, please feel free to contact SBLI's Compliance Department. Below are several points that you are expected to know and execute in replacements situations. Producers should refrain from initiating any replacement sale unless they believe the consumer will benefit from the transaction. All relevant suitability factors must be taken into account, such as:

- a) Surrender charges and surrender period on the replaced annuity contract or life insurance policy as well as the new contract or policy
- b) Requirements for earning the bonus (deferral and payout requirements) in view of the consumer's current and future needs (applicable only if the product you are selling provides a bonus)
- c) Consumer's need for liquidity
- d) Short-term and long-term financial goals
- e) In addition, note that even though transfers of funds from a Certificate of Deposit or mutual fund are not technically replacement transactions under insurance laws, those types of transfers should not be made unless the transaction is in the consumer's short and long term best interest
- f) **If you have any doubt or questions about the replacement laws** of any jurisdiction do NOT guess or assume that they must be similar to other jurisdictions where you are licensed. Contact SBLI's Compliance Department with your question. Better to make a phone call to SBLI than have SBLI call you for additional forms or information about an application
- g) **Once you have determined that the client has existing coverage and a replacement may be involved, and BEFORE you complete an application for insurance/annuity**, present the client with the required replacement notice (found on SBLIAgent.com), disclosures or comparisons which are required by the jurisdiction where you are taking the application
- h) **Be sure to obtain proper documentation for any existing coverage that may be replaced.** This may include, and is not limited to, Annual Reports, in force illustrations, and the actual policy or contract. Make sure that you are well acquainted with the features and benefits of the existing coverage. Your first job is to see if the client's existing coverage can be altered, amended or changed in some way so as to satisfy the client's current goals and objectives
- i) **Provide an impartial assessment** of the comparative features and benefits of the client's current coverage and proposed SBLI coverage
- j) **Be sure to complete and submit required Replacement Questionnaire and Replacement Notices** with the completed SBLI insurance or annuity

application. The NAIC, state insurance departments and SBLI take seriously the surrender or alteration of existing life insurance or annuity coverage. SBLI has in place systems and procedures to identify internal and external replacements at the company level and at the producer level. Replacement activity will be monitored for all producers. Any producer who consistently has replacements in excess of the norm will be contacted by SBLI to explain the reasons for their excessive replacement activity. Please be advised that any violation of state replacement laws or regulations, or SBLI policies regarding replacements, may lead to disciplinary action, up to and including termination. A violation would include the failure to disclose a replacement in order to avoid a commission adjustment on an existing SBLI product.

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XIV. SALES PRACTICES

SBLI has considerable confidence in its field representatives to treat SBLI customers fairly and with the intention of doing the best job for each customer, based on their individual needs and circumstances.

We also recognize that any profession involving sales, and particularly insurance sales, is highly challenging and generally requires a combination of characteristics in order to achieve success. Some of these traits – for example, conviction, persistence, receptiveness and enthusiasm – are quite necessary for producers to navigate the challenges associated with an insurance career.

There are times, however, in which some of these same characteristics can pose some risk for the producer from a regulatory or compliance perspective. In some situations, conviction and enthusiasm may lead to excessively aggressive sales tactics. In others, receptiveness to new ideas may lead a producer to get involved in a marketing concept or sales practice touted by a promoter who cares about neither the producer nor his clients. So, it is important to be aware of some of these pitfalls when you are interacting with your prospects and clients.

Also, some of the sub-topics in this section of the Guide are closely monitored by regulatory authorities.

1. Abusive or Coercive Sales Methods

Responsiveness to questions about the product and clear communication about both

its advantages and limitations is an important part of the insurance professional's job. There is nothing wrong with appropriately motivating a prospective customer to take action to solve his/her insurance needs.

But abusive or coercive sales methods are unnecessary and will not be tolerated by SBLI. No Producer should suggest, for example, that a prospective customer would be "foolish" not to purchase a particular product or create a false sense of urgency by stating that an insurance product is a "limited offer" and "you must act now." Neither should any Producer make any statements to the effect that a prospective customer's family will be "disappointed with them" or that declining to purchase a product will result in "financial disaster."

2. Competition

SBLI is committed to fair and respectful competition. Producers may not disparage or defame an insurer, its products or another producer in the course of selling or attempting to sell SBLI products. Neither may any Producer misrepresent or inappropriately comment on an insurer's financial strength. Any comparisons with other insurers' products must be complete, balanced, and comply with the accuracy and truthfulness requirements described in the SBLI Advertising Guidelines.

3. Misrepresentation

The most prevalent allegation made by consumers in complaints is misrepresentation of one or more provisions of the life insurance policy or annuity contract. Such allegations are typically made with respect to interest rates, strategy earnings, contract length, surrender charge schedules and death benefits, but are not limited to these topics.

Producers must provide consumers with a comprehensive description of the product during the sale. Only use materials that have been approved by SBLI as outlined in the Advertising Guidelines. When discussing any term or provision of a life insurance or annuity product with a consumer, use the Company's sales materials and disclosure documents in order to provide a complete and accurate explanation of the product. Upon delivery, review the terms and provisions of the contract and specifically discuss the "free look" opportunity. By taking these steps, you may prevent future allegations of misrepresentation.

Allegations regarding misrepresentation after the sale also occur. Be aware that information provided after the sale may lead to allegations of misrepresentation and

policy owners should never be provided information that is misleading or has the potential to be misleading.

4. Rebating

Rebating is illegal in most states, and prohibited by SBLI regardless of state.

A rebate involves the return of value of any kind to the customer in connection with the purchase of insurance. Nothing outside the contract may be introduced into the application process as an inducement to purchase a life insurance or annuity policy. Transactions that may be considered a rebate include, but are not limited to:

- a) Any gift designed to induce a purchase, where the gift's value is significant in relationship to the policy's premium
- b) Return of commissions earned
- c) "Free insurance"
- d) Payment by the Producer or agency of any premium
- e) Refund of premium due to persistency of policy

5. Sales to Seniors

Some states have enacted laws and regulations specifically for the protection of seniors. Examples include the NAIC Senior Protection in Annuity Transactions Model Regulation and the California Disclosure Requirements for Senior Citizens. It is your responsibility to be familiar with all the laws and regulations of the states in which you do business and fulfill the requirements set forth under these Guidelines.

Any recommendation for the purchase or exchange of an SBLI product must be made on the basis of reasonable grounds to believe the recommendation is suitable for the customer. Assessment of what is "reasonable" for a given consumer is based on the information known by the Producer at the time of sale. Please refer to the Suitability Guidelines below for additional information regarding regulatory activity, including the NAIC Model Regulation pertaining to suitability.

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XV. SUITABILITY

In 2010, the National Association of Insurance Commissioners (“NAIC”) adopted revisions to the existing Suitability in Annuity Transactions Model Regulation. The revised Model aims to strengthen consumer protections in the original Model against inappropriate and abusive annuity marketing practices by, among other things:

- a) Expanding the type of information that must be collected in order to determine whether a product is suitable for a particular customer;
- b) Establishing general and product-specific training requirements for producers;
- c) Requiring review of producer recommendations to customers; and
- d) Clarifying that the insurer is responsible for compliance with the Model’s requirements.

1. Role of the Producer

In recommending to a consumer the purchase or the exchange of an annuity, the insurance producer must have reasonable grounds for believing that the recommendation is suitable for the consumer.

We have created a suitability profile that captures the factors required under the revised Model. You must make a reasonable effort to obtain the following information concerning a consumer:

- a) Age
- b) Financial situation and needs as well as financial experience/objective and time horizon
- c) Tax status
- d) Investment objectives
- e) Existing assets
- f) Liquidity needs
- g) Risk tolerance
- h) Intended use of the annuity

Once you gather the information, you must determine if the purchase or replacement of a fixed annuity meets the client’s financial objectives. In addition to the information gathered in the suitability profile, we expect you to consider other factors as well:

- a) Will the consumer be placing a high percentage of net worth into the annuity?

- b) Does the consumer have a clear understanding of surrender charges / liquidity limitations?
- c) Does the consumer comprehend how the product works?
- d) Does the consumer understand why a replacement is suitable or recommended?
- e) Sometimes the best course is to not recommend an annuity. You just have to walk away.

For those producers that sell in states that adopted the revised NAIC Model, you are required to complete “product specific” training provided by SBLI (found on SBLIAgent.com) as well as general annuity training provided by your state. SBLI cannot accept annuity business from a producer who sells an annuity in those states that have adopted the revised NAIC Model unless we have evidence that you have completed the required courses.

At this time, we do not require Producers to complete training if you only sell annuities in states that have not yet adopted the revised Model. If you have questions on which states have adopted the NAIC model, please contact the Compliance Department.

2. Role of the Company

The revised NAIC Model requires SBLI to establish a system of supervision that reasonably designed to achieve the company’s and producer’s compliance with the model.

In carrying out our obligation, SBLI will:

- a) Review the application including the suitability form to establish that the Producer’s recommendation to the customer appears to be reasonable.
- b) Provide product specific training. SBLI provides its product specific training through Quest CE.
- c) Check our records to ensure that a producer has completed the necessary training.
- d) Annually review our procedures to ensure they are effective, and make changes as needed.

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APPENDIX A

SBLI CONTACT INFORMATION

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