

individuals. The Company's agents are trained in the terms and provisions of the Company's various products and are able to make recommendations for affordable and suitable products based on their fact finding conversations with prospects.

The Company's annuity products do have provisions allowing for annual 10% penalty free withdrawals and penalties are not imposed on any amounts withdrawn which are needed to satisfy IRS withdrawal requirements. In addition, the Company offers riders providing for the use of annuity funds penalty free in cases of nursing home admissions or terminal illness.

#### Recommendation 10

The examiner has made an unsubstantiated assumption that agents do not understand how CDs or other investments work. Furthermore, Vermont life and annuity replacement regulations do not apply to other investments. Vermont replacement regulations refer to an existing policy. Insisting that these regulations be applied to other investments is beyond the scope of the insurance replacement regulation.

#### Recommendation 11

1. Question 21 in the fact finder asks the prospect if they have a financial advisor. Point of sales materials may also advise the prospect to consult an attorney, accountant or tax adviser. Examples are attached. The Company believes that these documents already provide for this recommendation.

2. Vermont replacement regulations apply to insurance policies and annuities only. Suitability Questionnaire #14818 asks if there are charges or penalties involved in a replacement sale and how the issuance of the proposed policy is in the best interest of the client.

#### Recommendation 13

1. The attached fact finder is designed to determine a client's need for each of the products featured, Medicare Supplement, Long Term Care, Life and/or Annuities.

2. The fact finder helps determine the need for the product line. The Company offers a variety of products in each line of business. The agent presents the various options and the client and agent choose the best plan based on the client's needs.

3. The fact finder asks pointed questions regarding the client's income, living expenses, savings and assets. The Company's agents do determine affordability.

4. The attached Suitability Questionnaire form #14818 documents any charges or penalties for a replacement sale and documents the reason(s) the replacement is in the best interest of the client.

DOCUMENTAION FOR REPORT PAGE 16, COMPANY PAGE 9

SUITABILITY TRAINING

COINS

CONSECO

Internal Toolbar:  Bankers Life And Casualty Company**Select Another Agent Number**Main Contact Bankers Options Help Log  
b3163 / Bankers Life And Casualty C**What is this?**

This is the document area for COINS. Some companies have documents which can be downloaded and/or viewed from the Intranet. You can access those documents here.

**How do I use it?**

Follow the instructions in the body of this page.

Some Reference Materials will require the use of the Adobe Acrobat Viewer 4.0 or higher and Windows95 or higher. Click [here](#) to download.

The following reference material is currently available:

[Agent Benefits Insurance](#)  
[Agent IVR System \(Quick Call\)](#)  
[Bankers Health Advantage](#)  
[Bankers in the News](#)  
[Branch Prospecting Allowance](#)  
[BSO Performance Summary](#)  
**Development - Agent - BEST Modules**  
[BEST Module Introduction 14578-Introduction](#)  
[Cancer Policy\(GR-P101\) 14578-27](#)  
[Cash Program 14578-12](#)  
[Code of Ethics 14578-14](#)  
[Compliance-Professionalism through Compliance Brochure 14812](#)  
[COMPLIANCE-SUITABILITY, REPLACEMENT AND DISCLOSURE 14578-28](#)  
[Equity Index Annuity 14578-22](#)  
[Equity Index Universal Life \(Innovative Life-19A\) 14578-18](#)  
[Home Health Care \(GR-N400 & GR-N410\) 14578-24](#)  
[Home Health Care \(N085\) 14578-2](#)  
[Income Replacement \(D025\) 14578-6](#)  
[Lead Prospecting/Phone Training 14578-9](#)  
[Life Fortifier \(20A\) 14578-26](#)  
[Life Insurance Basics 14578-20](#)  
[Life Insurance Basics Fact-Finder Needs Analysis 12671-Insert](#)  
[Long Term Care \(GR-N240, GR-N250, GR-N270 & GR-N280\) 14578-4](#)  
[Long Term Care \(GR-N340, GR-N350, GR-N370 & GR-N380\) Form #14578-4 \(11/01\)](#)  
[Long Term Care \(N160 & N165\) 14578-3](#)  
[MYGA5 \(Multi Year Guaranteed Annuity\) 14578-25](#)  
[NAIC-Life Illustration Model 14578-19](#)  
[Pivoting-Cross Selling 14578-13](#)  
[ReliaTerm 14578-23](#)  
[Senior Life 14578-16](#)  
[Short Term Care \(GR-N320 & GR-N325\) 14578-5 \(10/99\)](#)  
[Traditional Annuities 14578-21](#)  
[Universal Life \(UL20 18P\) 14578-17-1](#)  
[Whole Life \(13T & 29G\) Form #14578-29](#)  
[Development - Agent - Phone Scripts](#)  
[Development - Field Management](#)  
[Development - New Agent - Phone Scripts \(NAS\)](#)  
[Instruction Booklets](#)  
[Interest Rate Information System \(IRIS\)](#)  
[Manuals](#)  
[New Business Development Materials](#)  
[Policy and Rider Availability \(PARA\)](#)  
[Privacy Notices](#)  
[Suggested Readings](#)

# PROFESSIONALISM Through Compliance

• Suitability • Replacement • Disclosure •

## SUITABILITY

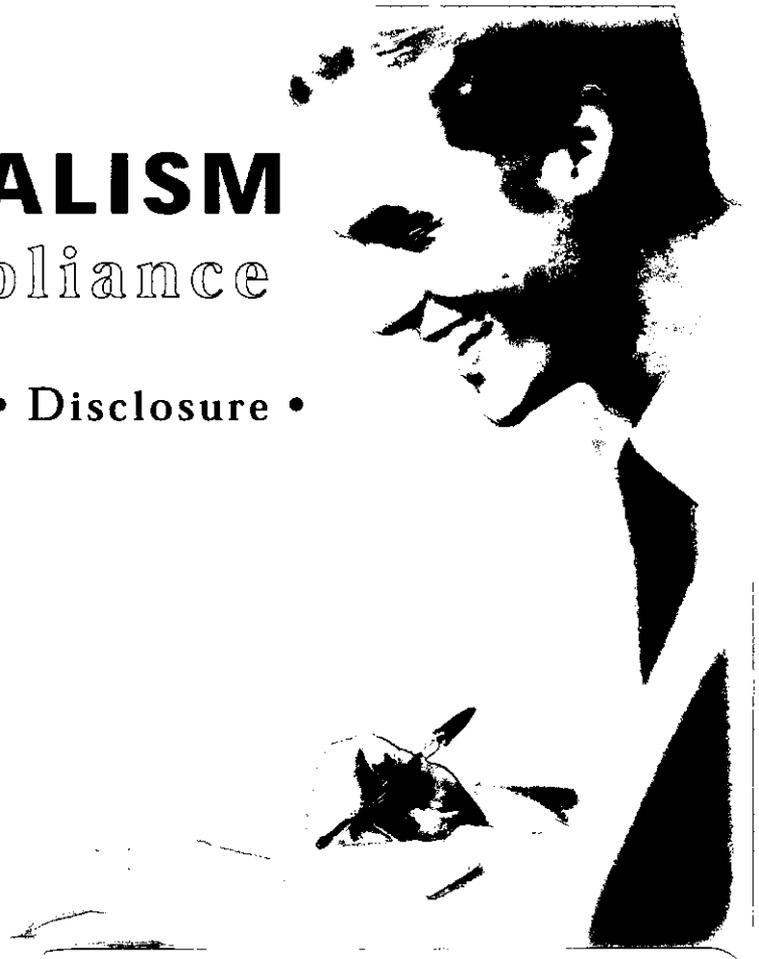
- *The customer needs the insurance*
- *The proposed coverage fits that need*
- *The customer can afford the insurance*
- *In a replacement situation, it also means that proposed new coverage is better for the prospect considering benefits offered, and benefits lost*

This process of fitting the policy to the need, through customizing the features based on what is important to the customer and providing an affordable solution, is the basis for suitability. The keys to suitable sales are:

- Complete a fact finder using "Suitability Questions" designed to address:
  - Prospect concerns and needs
  - Appropriateness of coverage recommended
  - Address prospect affordability
  - If appropriate, the benefits and stability of current insurance carriers
- Identify and recommend a product to meet such needs
- Document recommendations

Always focus on the use of Bankers' approved fact-finders with regard to interpreting prospect needs, affordability and other suitability concerns.

Open and closed probes that acknowledge and confirm the prospect's needs should be used throughout the fact-finding process to make sure that suitability concerns are addressed.



## REPLACEMENT

Focusing the recommendation on customer needs will allow your solution to withstand questions of suitability. This becomes even more important when considering the possible replacement of an existing insurance policy. It is generally understood that replacing a policy for the sake of generating additional agent commissions, without benefiting the customer or improving his/her situation, would not be in the best interest of the policyholder. It is at best an unethical practice and against the rules and regulations of the state's "Department of Insurance" and Bankers Life and Casualty Company.

When replacing an insurance policy, it is imperative that you disclose both the negative and positive outcomes of the transaction.

When replacing an insurance policy, the following information should be kept in the agent's client file:

- Fact-finder
- All relevant information regarding:
  - Reason for replacing coverage
  - Reason for issuing more than one contract at the same time in the case of annuities or life insurance
  - Reason insurance policy is good for the client
  - Surrender charges or penalties the client incurs on the replaced policy

## DISCLOSURE

### *Providing the best Customer Service*

Consider the following as a guide to Disclosure and Customer Service:

- Provide the client with brochures that were used during the buying process.
- Provide the client with a copy of the fact-finder.
- Make sure you personally deliver the policy. Review the policy as to specific features and benefits, thus reinforcing understanding of the need and the client's reason for buying.
- Provide the client with any additional information that may apply to needs not covered and a calendar date set for reviewing additional needs.
- Because situations change, suggest an annual review date to up-date the fact-finder.
- Make sure your clients understand your role as a liaison between them and the Home Office. Call your clients when you know of correspondence being sent to them from the Home Office and offer assistance, if needed.

## MDRT SURVEY\*

The MDRT member survey indicated that the top five ethical issues facing insurance professionals today are:

1. False or misleading representation of products or services in marketing, advertising or sales efforts.
2. The failure to identify the customer's needs and recommending products and services that meet those needs. (SUITABILITY)
3. Conflicts between opportunities for personal financial gain ( or other personal benefits) and proper performance of one's responsibilities.
4. Making disparaging remarks about competitors, their products, their employees, or their agents.
5. Lack of knowledge or skills to competently perform one's duties.

\*1999 Survey, Million Dollar Round Table, Park Ridge, IL

## PROFESSIONALISM THROUGH COMPLIANCE

*The following procedure is for handling complaints:*

The customer concern must first be recognized as either an inquiry or complaint. An inquiry can be identified as the customer's request for information about new products or services, or desire to clarify or receive updated information about current insurance. The customer is clearly not upset.

A complaint is communication primarily expressing a grievance and/or dissatisfaction. Some examples are considered to be a complaint when a customer:

- Voices dissatisfaction with the agent's conduct.
- Feels appropriate disclosure of information was materially left out.
- Indicates any other issue that may be upsetting.

Inquiries or complaints communicated to an agent are to be addressed utilizing the following procedures:

- Satisfactorily address the customer's concern, which by definition is a complaint. Immediately inform the Branch Manager who, in turn, will inform the Home Office in writing.
- Determine whether the customer is making an inquiry or wishes to file a complaint. The agent should offer the customer his/her assistance. If the issue is satisfactorily resolved to the customer's satisfaction and clearly meets the definition of an inquiry and not a complaint, then the inquiry was handled and no complaint needs to be filed with the Home Office.
- If the concern is a complaint and is resolved, the Branch Manager will provide an apology to the customer. The Branch Manager must inform the Home office of the customer's complaint immediately. (Form 494 is used by the Branch Manager to communicate the complaint to the Home Office via Inter-Office Correspondence. The use of this form is described in the Field Office Procedural Manual and may also be communicated via fax or e-mail as long as all necessary information is included
- If the concern is a complaint and is not resolved, the Branch Manager will provide an apology to the customer and will inform the customer that the Home Office will be notified immediately, in writing, of his/her complaint. The Branch Manager must inform the Home office of the customer's complaint immediately. (Form 494 is used by the Branch Manager to communicate the complaint to the Home Office via Inter-Office Correspondence. The use of this form is described in the Field Office Procedural Manual and may be communicated via fax or e-mail, as long as all necessary information is included.



**BANKERS**  
LIFE AND CASUALTY COMPANY

222 Merchandise Mart Plaza  
Chicago, IL 60654-2001  
www.bankerslife.com

*A Conseco Company*

**B  
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S**

**T** **Module:**

**Insurance Compliance: Suitability, Replacement and Disclosure**

**Meeting Guide**

**BANKERS LIFE AND CASUALTY COMPANY**  
222 Merchandise Mart Plaza  
Chicago, IL 60654-2001

*A Consec Company*

14578-28 (04/19/01)

(This Meeting Guide is for internal use only. Material contained in this document may not be duplicated and is not intended to create public interest in the sale of insurance.)

## **Insurance Compliance: Suitability, Disclosure and Replacement Meeting Guide**

Notes:

### **AGENT PREWORK**

#### **REVIEW:**

- **Agent Information and Procedures Manual (4100)**
- **CASH Manual (11696)**
- **Financial Realities Affecting Your Retirement Fact-finder (#11933)**
- **Single page Senior 4-squares fact-finder (14519)**
- **Financial Realities Affecting Your Working Life Fact-finder (#12671)**
- **How much money will it take? Life Insurance Analysis (#12671-insert)**
- **Prospecting and Product Brochures**
- **Product Applications**
- **Life, Health and Long Term Care Medical Underwriting Guides**
- **1035 exchange and replacement forms. State specific, if applicable.**
- **COINS (Agent's Resources)**

#### **Notes:**

**Because it would not be practical to have all of Bankers' field resources at this training session, we are asking that the BSM have the agents review the above mentioned materials prior to attending this training session.**

**Also, the trainer conducting this meeting should read through this meeting guide to make sure he/she has a thorough understanding of the material and to make sure that he/she has all the necessary supplies available.**

# Insurance Compliance: Suitability, Disclosure and Replacement Meeting Guide

otes:

## OVERVIEW

### SUPPLIES:

- Financial Realities Affecting Your Retirement Fact-finder (#11933)
- Single page Senior 4-squares fact-finder (14519)
- Financial Realities Affecting Your Working Life Fact-finder (#12671)
- How much money will it take? Life Insurance Analysis (#12671-insert)
- Agent Information and Procedures Manual.(4100)
- Brochure: "Professionalism through Compliance (#14812) **PRINT FROM COINS**
- 1035 exchange and replacement forms. State specific, if applicable.
- Blank Flipchart

### Instructor Note:

**It is important that the BSM make sure that each agent has the above mentioned fact-finders available during this training, as specific questions will be asked about each of the fact-finders.**

### PURPOSE:

The purpose of this BEST Module is to familiarize Agents and Field Managers with an understanding of Bankers Life and Casualty Company's position on Insurance Compliance, specifically suitability, disclosure, affordability and replacement rules and regulations.

### LEARNING OBJECTIVES:

**Agents and Field Managers will be able to:**

- **Understand Insurance Industry compliance issues affecting suitability, disclosure and replacement in the sale of Bankers' insurance products.**
- **Interpret Bankers' approved fact-finders with regards to prospect needs, affordability, and other suitability issues.**
- **Present Bankers products to the prospect with disclosure of appropriate features and benefits.**
- **Describe certain procedures that must be followed in the marketing, selling and servicing of Bankers' products.**
- **Differentiate between an inquiry and a complaint.**
- **Identify procedure for handling a complaint.**

## **Insurance Compliance: Suitability, Disclosure and Replacement Meeting Guide**

Notes:

### **TRAINING OUTLINE**

- I. Introduction**
- II. Overview of Insurance Industry compliance rules and regulations affecting suitability and replacement in the sale of Bankers' insurance products.**
- III. Interpreting Bankers' approved fact-finders with regards to prospect's needs, prospect affordability, and other suitability concerns.**
- IV. Presenting Bankers' products with full disclosure of appropriate features and benefits.**
- V. The Manager's and Agent's responsibilities in marketing, selling and servicing Bankers' products from a compliance perspective affecting suitability and replacement.**

## **Insurance Compliance: Suitability, Disclosure and Replacement Meeting Guide**

Notes:

### **Training Guide**

#### **I. Introduction**

REMEMBER THE LAST TIME YOU ORDERED AN ITEM AT A RESTAURANT THAT SOUNDED DELICIOUS ON THE MENU BUT TURNED OUT TO BE COMPLETELY DIFFERENT WHEN IT WAS PLACED IN FRONT OF YOU?

THAT EXPERIENCE PROBABLY MADE YOU WARY OF THE SOURCE THAT SUGGESTED THE FOOD ITEM, THE MENU. IN FACT, BECAUSE THE FOOD DID NOT MEET YOUR EXPECTATIONS, YOU MAY NEVER GO TO THAT RESTAURANT AGAIN.

THE FACT THAT YOU WERE DISAPPOINTED DOES NOT MEAN THE FOOD WAS BAD. IT JUST WASN'T RIGHT FOR YOU. IT WASN'T WHAT YOU EXPECTED OR WANTED. THIS CAN BE KNOWN AS BUYER'S REMORSE.

AS AN INSURANCE AGENT, YOU SHOULD KEEP EXPERIENCES LIKE THAT IN MIND WHEN RECOMMENDING INSURANCE PRODUCTS TO YOUR PROSPECTS.

YOU DON'T WANT YOUR CLIENT TO FEEL SIMILAR DISAPPOINTMENT ABOUT THE INSURANCE POLICY YOU RECOMMENDED.

THE COST OF A DINNER IS A REASONABLE LOSS TO ASSUME, BUT COSTLY INSURANCE PRODUCTS WHICH DO NOT MEET POLICYHOLDER NEEDS COULD BE DISASTROUS FOR HIS/HER FINANCIAL FUTURE AND YOUR CAREER.

TO ENSURE THAT PROSPECT NEEDS ARE SATISFIED WITH THE INSURANCE POLICY YOU RECOMMEND, YOU MUST THOROUGHLY CONSIDER HIS/HER FINANCIAL SITUATION TO CONFIRM THAT THE POLICY MEETS HIS/HER NEEDS AND EXPECTATIONS.

UNFORTUNATELY, CHOOSING SUITABLE INSURANCE PRODUCTS FOR THE PROSPECT IS NOT AS EASY AS ORDERING A FOOD ITEM OFF A MENU.

IT TAKES CONSIDERABLE PRODUCT AND PEOPLE KNOWLEDGE TO BECOME PROFICIENT AT MATCHING THE RIGHT PRODUCT TO THE PROSPECT.

EARNING PROSPECT TRUST AND DISCOVERING HIS/HER NEEDS WILL MAKE YOUR JOB EASIER, BUT YOU MUST ANALYZE EACH DETAIL CAREFULLY BEFORE YOU MAKE RECOMMENDATIONS.

## Insurance Compliance: Suitability, Disclosure and Replacement Meeting Guide

### Notes:

Instructor's  
Note:

Make sure all  
agents have  
the required  
supplies  
before you  
start the  
meeting.

### II. Overview of Insurance Industry compliance rules and regulations affecting suitability and replacement in the sale of Bankers' insurance products.

LET'S START WITH THE REGULATORY BODY THAT OVERSEES THE INSURANCE INDUSTRY IN THE UNITED STATES. THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS (NAIC) IS A CENTRAL ORGANIZATION OF THE CHIEF INSURANCE REGULATORY OFFICIALS IN THE 50 STATES, THE DISTRICT OF COLUMBIA AND FOUR U.S. TERRITORIES. THE PRIMARY OBJECTIVE OF THIS BODY IS TO STRENGTHEN AND IMPROVE STATE REGULATION THROUGH THE FORMULATION OF COMMON GOALS AND UNIFORM POLICIES.

ALL STATES HAVE A "DEPARTMENT OF INSURANCE" WHICH IS CHARGED, BY STATUTE, WITH PROTECTING THE RIGHTS OF ITS CITIZENS IN THE CONTEXT OF INSURANCE TRANSACTIONS. THE "DEPARTMENT OF INSURANCE" IS ALSO CHARGED WITH MONITORING THE FINANCIAL SOLVENCY OF ALL REGULATED INSURANCE ENTITIES. THIS IS DONE THROUGH EFFECTIVE ADMINISTRATION AND ENFORCEMENT OF THE STATE INSURANCE CODE, AND RELATED LAWS AND REGULATIONS.

IN GENERAL, THE "DEPARTMENT OF INSURANCE" HAS A MISSION TO PROTECT CONSUMERS BY PROVIDING ASSISTANCE AND INFORMATION. THIS IS ACCOMPLISHED BY EFFICIENTLY REGULATING THE INSURANCE INDUSTRY'S **MARKET BEHAVIOR**, FINANCIAL SOLVENCY, AND BY FOSTERING A COMPETITIVE INSURANCE MARKETPLACE.

#### **Q. What are the major responsibilities of the state's "Department of Insurance"?**

A. The "Department of Insurance" is responsible for:

- **Consumer protection and education programs.** It oversees the activities of insurance producers and monitors the marketplace operations of insurance companies.
- **Investigating complaints from consumers against insurance companies and responding to many more written and telephone inquiries each year.** The Department also deploys staff members to disaster sites to assist victims in expediting their insurance claims.

## Insurance Compliance: Suitability, Disclosure and Replacement Meeting Guide

Notes:

- **Licenses and regulates the Producer/Agent selling insurance within the respective state and confirms compliance with continuing education requirements.** Licenses are issued to individuals after they pass a qualifying examination administered by an independent testing service. **All licensees are subject to investigations and examinations which may lead to disciplinary action when violations are discovered.**
  
- **Compliance reviews of :**
  - **all policy forms** filed by life, accident/health, and property/casualty insurance companies licensed in the state to determine the legality of contract language and its compliance with applicable insurance laws and regulations.
  
  - **Company advertising and sales materials.**
  
  - **Overseeing contract compliance.**
  
  - **Market Conduct** to assure that the state's citizens are receiving fair and equitable treatment from insurance companies and that insurers comply with insurance state laws and regulations. On site market conduct examinations are completed to ensure the fair and equitable treatment of the state's citizens, and to determine whether companies are performing according to the conditions and provisions stated in their policy contracts. These include the evaluation of:
    - Underwriting.
    - Advertising.
    - Agency operations.
    - Marketing.
    - Claims practices.

ANY VIOLATION OF THE STATE'S "DEPARTMENT OF INSURANCE" LAWS AND REGULATIONS MAY RESULT IN AGENT AND/OR INSURANCE COMPANY FINES AND/OR LOSS OF AUTHORITY TO TRANSACT BUSINESS IN THAT STATE.

NOW THAT WE HAVE TAKEN A BRIEF LOOK AT THE REPSONSIBILITIES OF THE STATE'S "DEPARTMENT OF INSURANCE", WE WILL NOW FOCUS ON HOW YOU CAN STAY WITHIN THE STATE'S RULES AND REGULATIONS AS YOU CONDUCT YOUR BUSINESS AS AN AGENT OF BANKERS LIFE AND CASUALTY COMPANY.

## Insurance Compliance: Suitability, Disclosure and Replacement Meeting Guide

### Notes:

Instructor's Note:  
Hand out Compliance Brochure.

List on flipchart student responses to Suitability question.

### III. Interpret Bankers' approved fact-finders with regards to prospect's needs, prospect affordability, and other suitability concerns.

TO START THIS DISCUSSION, LET'S DEFINE SUITABILITY.

#### Q. What does suitability mean? (*Guide agents to the Compliance Brochure*)

A. Given a reliable insurer, suitability means:

- The prospect needs the insurance.
- The proposed coverage fits that need.
- The prospect can afford the cost.
- In a replacement situation, it also means that proposed new coverage is better for the prospect, considering benefits offered, benefits lost by canceling the in-force insurance policy, and cost.

#### Q. Why is it very important to agents that only suitable sales be made to prospects and clients?

A. Prospects do business with you primarily because **they trust you are acting in their best interest**. And, because **you need similar trust in Bankers**, it is just as important that you have the same trust that Bankers is meeting high industry standards.

THE AGENT AND THE PROSPECT NEED TO BE CONFIDENT THAT BANKERS WILL PAY VALID CLAIMS.

AS YOU MAY KNOW, BANKERS' RATING FROM A.M. BEST IS ONE OF THE HIGHEST. THIS IS BASED ON CONSECO'S/BANKERS' MANAGEMENT TEAM, IT'S FINANCIAL POSITION, AND BANKERS ABILITY TO PAY CLAIMS.

BANKER'S HAS AN EXCELLENT REPUTATION FOR POLICYHOLDER SERVICES AND CLAIMS.

## Insurance Compliance: Suitability, Disclosure and Replacement Meeting Guide

### Notes:

Instructor's Note:

Refer Agents to brochure, Suitability section. Read it. Also, make sure each agent has the company approved fact-finders in front of them. Call on agents to read the suitability questions as you cover each section of the fact-finder.

**Q. How does Bankers' underwriting for suitability help you meet your needs as an agent?**

A. Knowing that publicity of unsuitable sales anywhere in the country can have a negative effect on consumer and agent confidence, Bankers makes sure underwriting meets the highest standards for suitability. This is a very high priority at Bankers.

THE KEY TO SUITABLE SALES IS TO COMPLETE A FACT FINDER DURING THE INTERVIEW WITH YOUR PROSPECT TO DETERMINE WHAT NEED(S) THE PROSPECT MAY HAVE. ONLY AFTER SUCH DETERMINATION SHOULD AN AGENT IDENTIFY AND RECOMMEND A PRODUCT TO MEET SUCH NEEDS. THIS IS WHAT YOU, AS A SALES PROFESSIONAL, DO ON A DAILY BASIS.

**Q. How do you determine how much need exists?**

A. The agent, having determined the need through fact-finding, identifies a Bankers' product with features that match the prospect's concerns and is most likely to satisfy the prospect's needs. Having determined the kind of insurance policy needed, the agent and prospect decide whether to cover the total need entirely or to provide partial coverage based on the prospect's budget and other resources. **This process of fitting the policy to the need, through customizing the features based on what is important to the prospect and providing an affordable solution, is the basis for suitability.**

AS AN AGENT FOR BANKERS, YOU MUST FOCUS ON THE USE OF BANKERS' APPROVED FACT-FINDERS WITH REGARD TO INTERPRETING PROSPECT NEEDS, AFFORDABILITY AND OTHER SUITABILITY CONCERNS.

THE FIRST FACT-FINDER WE WILL CONCENTRATE ON IS THE "FINANCIAL REALITIES AFFECTING YOUR RETIREMENT" (11933).

## Insurance Compliance: Suitability, Disclosure and Replacement Meeting Guide

### Notes:

YOU CAN ALSO REFER TO THE SINGLE PAGE "SENIOR 4-SQUARES FACT-FINDER" (14519) AS WELL.

#### **Q. What market segment is this fact-finder appropriate for?**

A. This fact-finder is primarily designed to serve the senior marketplace. That is, those prospects and clients over age 65.

#### **Q. What four major concerns does this fact-finder address?**

A. The four concerns are:

- Medical expenses
- Long term care
- Retirement income
- Final expenses

WE ARE NOW GOING TO LOOK AT THIS FACT-FINDER FROM THE PERSPECTIVE OF "SUITABILITY" QUESTIONS. I WILL NOW ASK YOU TO IDENTIFY EXAMPLES OF "SUITABILITY QUESTIONS" FROM THE FACT-FINDER. AFTER WE HAVE DISCUSSED THE SUITABILITY QUESTIONS ON THE FACT-FINDER, YOU MAY WISH TO SHARE OTHER SUITABILITY QUESTIONS NOT LISTED ON THE FACT-FINDER.

REMEMBER, SUITABILITY QUESTIONS ARE DESIGNED TO ADDRESS PROSPECT CONCERNS AND NEEDS, APPROPRIATENESS OF COVERAGE RECOMMENDED IN ADDRESSING PROSPECT NEEDS, PROSPECT AFFORDABILITY, AND IF APPROPRIATE, THE BENEFITS AND STABILITY OF CURRENT INSURANCE CARRIERS.

**Q. When discussing Medical Expenses, what questions in the fact finder specifically address the issue of suitability? And why? (*Remember to draw out answers from the agents*)**

**Q. When discussing Long Term Care, what questions specifically address the issue of suitability? And why? (*Remember to draw out answers from the agents*)**

**Q. When discussing Retirement Income needs, what questions specifically address the issue of suitability? And why? (*Remember to draw out answers from the agents*)**

Instructor's note:

Select agents to read the questions from the fact-finders. Make sure they respond with the "suitability questions" in the answer. Encourage other suitability questions. Compliment each agent as they respond with appropriate "suitability questions".

## Insurance Compliance: Suitability, Disclosure and Replacement Meeting Guide

### Notes:

Instructor's Note:  
Have the agents refer to the "Financial Realities Affecting Your Working Life" (12671) fact-finder and the "How much will it take?" (12671-insert) fact-finder and analysis sheet.

Repeat the same exercise with these fact-finders as you did with the "senior's fact-finder".

**Q. When discussing Final Expense needs, what questions specifically address the issue of suitability? And why? *(Remember to draw out answers from the agents)***

OPEN AND CLOSED PROBES, THAT ACKNOWLEDGE AND CONFIRM THE PROSPECT'S NEEDS, SHOULD BE USED THROUGHOUT THE FACT-FINDING PROCESS TO MAKE SURE THAT SUITABILITY CONCERNS ARE ADDRESSED. THESE SKILLS ARE COVERED IN GREATER DETAIL IN THE "FAST START" AND "WINNERS EDGE" SALES TRAINING SEMINARS.

TAKE OUT THE FACT-FINDER "FINANCIAL REALITIES AFFECTING YOUR WORKING LIFE" AND THE INSERT "HOW MUCH MONEY WILL IT TAKE". LET'S RUN THROUGH THE SAME EXERCISE USING THESE FACT-FINDERS.

**Q. What four concerns does this fact-finder address?**

A. The four concerns are:

- Healthcare
- Disability
- Savings / Retirement
- Pre-Mature Death
  - Final Expenses
  - Mortgage / Rent Fund
  - Education Fund
  - Family Income

**Q. When discussing Healthcare (Medical Insurance), what questions specifically address the concern of suitability? And why? *(Remember to draw out answers from the agents)***

**Q. When discussing Disability, what questions specifically address the issue of suitability? And why? *(Remember to draw out answers from the agents)***

**Q. When discussing Savings / Retirement Income needs, what questions specifically address the issue of suitability? And why? *(Remember to draw out answers from the agents)***

**Q. When discussing Life Insurance needs, what questions specifically address the issue of suitability? And why? *(Remember to draw out answers from the agents)***

## Insurance Compliance: Suitability, Disclosure and Replacement Meeting Guide

### Notes:

Instructor's Note:

Read section on replacement in brochure.

THERE IS A **BEST MODULE**, FORM NUMBER **14578-20**, THAT COVERS, IN DETAIL, HOW TO COMPLETE THE LIFE INSURANCE NEEDS ANALYSIS. IT IS CALLED "**LIFE INSURANCE BASICS**".

IF YOU HAVE COMPLETED A DETAILED COMPANY APPROVED FACT-FINDER, THE RECOMMENDATIONS YOU MAKE WILL BE FOCUSED ON THE NEEDS OF THE PROSPECT.

FOCUSING THE RECOMMENDATION ON PROSPECT NEEDS WILL ALLOW YOUR SOLUTION TO WITHSTAND QUESTIONS OF SUITABILITY. THIS BECOMES EVEN MORE IMPORTANT WHEN CONSIDERING THE POSSIBLE REPLACEMENT OF AN EXISTING INSURANCE POLICY. IT IS GENERALLY UNDERSTOOD THAT REPLACING A POLICY FOR THE SAKE OF GENERATING ADDITIONAL AGENT COMMISSIONS, WITHOUT BENEFITING THE PROSPECT OR IMPROVING HIS/HER SITUATION, WOULD NOT BE IN THE BEST INTEREST OF THE POLICYHOLDER. IT IS AT BEST AN UNETHICAL PRACTICE AND AGAINST THE RULES AND REGULATIONS OF THE STATE'S "DEPARTMENT OF INSURANCE" AND BANKERS LIFE AND CASUALTY COMPANY.

HAVING SAID THAT, THERE MAY BE SITUATIONS WHERE REPLACEMENT IS CLEARLY IN THE BEST INTEREST OF THE PROSPECT. IF IT IS GENERALLY GOOD FOR THE PROSPECT, IT IS GOOD FOR THE AGENT AND BANKERS.

**Q. How do you determine if replacing another company's policy is best for the prospect?**

A. The best way is to determine the prospect needs through fact-finding. Then determine if their current insurance meets those needs in an affordable way. If your recommendations better address and fulfill the prospect's needs in a more affordable way, or provides additional benefits that were not available at the time of the original purchase, then replacing the prospect's insurance may be appropriate. It is imperative that you disclose both the negative and positive outcomes of the transaction.

## Insurance Compliance: Suitability, Disclosure and Replacement Meeting Guide

Notes:

WHEN REPLACING AN INSURANCE POLICY, YOU MUST INFORM THE PROSPECT THAT NEW POLICY CLAUSES CAN HAVE AN EFFECT ON THE COVERAGE. FOR EXAMPLE, THE INCONTESTIBILITY CLAUSE THAT STATES THE COMPANY CAN VOID THE POLICY WITHIN A CERTAIN PERIOD OF TIME (USUALLY TWO YEARS) IF SOME REASON SUCH AS FRAUD WAS INVOLVED IN THE PURCHASE OF THE POLICY.

ANOTHER EXAMPLE IS THE MISTATEMENT OF AGE CLAUSE. THIS GIVES THE INSURANCE COMPANY THE RIGHT TO ADJUST THE POLICY FEATURES (PREMIUM, CASH VALUE AND DEATH BENEFIT) AFFECTED BY AGE.

IN ADDITION, PRE-EXISTING CONDITIONS AND SURRENDER CHARGES SHOULD BE CONSIDERED, AS THEY CAN HAVE A GREAT IMPACT ON THE PROSPECT.

BE SURE TO INFORM THE PROSPECT OF THESE AND OTHER POLICY CLAUSES AND CONFIRM THEIR UNDERSTANDING OF THE POSSIBLE IMPACT THESE CLAUSES MAY HAVE ON THE REPLACEMENT OF EXISTING COVERAGE.

**Q. What procedures must you follow when replacing a prospect's current insurance coverage (life, LTC, health, or annuities)? (See *Agent Information and Procedures Manual (4100-page 50)*)**

**A. The procedures that must be followed are:**

- You must determine, as stated above, that the new insurance is suitable. As we said, State insurance laws, licensing procedures and the courts all make a clear point of an **agent's fiduciary duty**. This responsibility is put to the test when replacing an existing insurance program. Always make a clear and complete comparison of the existing and proposed plans. If you are replacing a policy, it should clearly stand up to the scrutiny of any individual, regulatory agency or court on its own merits.

## Insurance Compliance: Suitability and Replacement Meeting Guide

Notes:

- When replacing a policy, you must make sure that **all pertinent facts are disclosed**. You must clearly indicate the prospect's current health history on the life or health application. If health history would require elimination or modifying riders and/or rate-ups in premium, the sale may not be beneficial to the prospect. You must disclose on the application that a replacement is involved.
- You must make sure the end date of the existing coverage is clearly shown on the application. Always recommend keeping existing coverage in force until the new coverage is delivered and the insured has the opportunity to thoroughly review the plan. Allow sufficient time for the new plan to be issued. This may mean paying an additional premium on the current in-force coverage. If there is a refund or transfer of money involved on the existing coverage, make sure that the replaced company will honor the request. Do not have them send the money until the new policy is issued. **It is vital that you complete the appropriate replacement forms and follow the rules and regulations of the State and Bankers.**

### Q. What guidelines must be followed in processing a "1035 exchange" of a Life or Annuity policies? (see AIP Manual page 297)

A. Consideration must be given to whether the exchange qualifies under the Internal Revenue Code. The following tax-free exchanges are allowed:

- A life insurance contract may be exchanged for another life insurance, endowment or annuity contract.
- An annuity contract may be exchanged for another annuity contract.
- An endowment or annuity contract may **not** be exchanged tax-free for a life insurance contract.
- An endowment contract or an annuity contract may **not** be exchanged tax-free for a life insurance contract or for another endowment or annuity contract with a later maturity date.

Remember, the purpose behind the tax-free exchange is to postpone taxes rather than forgive taxes. A 1035 exchange is a way to transfer the cost or gain from an existing policy to a new policy, thus reducing the taxable gain or deferring taxes at surrender of the new policy or withdrawals beyond the "cost basis". If the new policy ceases to be in-force due to death, or if loans are taken and the policy ultimately ceases due to death, there is no taxable gain. **The "1035 exchange" must be disclosed on the application with the appropriate forms attached, including the state replacement forms.** The details of the exchange must be communicated to the prospect and they must sign the appropriate forms. (Check with your BSM and/or the BOA for your state specific forms, if applicable: **FORM #9738.**)

Instructor's Note:  
Make sure you have the appropriate forms available for review.