
To our valued agents...

The Business Guidelines are intended to assist you in understanding the compliance rules and standards of EquiTrust Life Insurance Company® (EquiTrust or Company) and to help you develop a best practices approach to your business activities. This document contains important guidelines and procedures related to sales practices, market conduct and compliance issues. The Business Guidelines are part of the Agent/Agency Contract (Agent Agreement) you entered into with EquiTrust and are referred to as Exhibit A to the Agent Agreement. To the extent that there is a conflict between the Agent Agreement and the Business Guidelines, the Agent Agreement shall control.

These Business Guidelines contain important information on policies and programs that affect how you do business with EquiTrust. Please review all content carefully and completely. You are required to read the Business Guidelines prior to appointment and at least once per year thereafter. By accepting appointment with EquiTrust, you agree to follow these Business Guidelines, as updated from time to time by EquiTrust.

If you should have any questions about any of the material included in these Business Guidelines, feel free to contact us. The current version of the Business Guidelines is available on the Agent Gateway website.

Important Contact Information

- **Home Office Address:**
EquiTrust Life Insurance Company
222 W. Adams Street, Suite 2150
Chicago, IL 60606
- **Administration Office Address:**
EquiTrust Life Insurance Company
7100 Westown Pkwy, Suite 200
West Des Moines, Iowa 50266-2521
- **Advertising Review** Phone: (866-598-3694)
Fax: (515-226-5104)
Provides consultation, review, and approval service for advertising specific to state and distribution. Advertisements may be faxed for review.
- **Agent Gateway website** <https://agents.EquiTrust.com>
Provides access to state approvals, sales materials, Company forms and best practices
- **Compliance** Phone: (1-877-249-3694, Option 4)
Provides complaint handling, suspected fraud and general questions about compliance and market conduct.
- **Customer Service** Phone: (866-598-3692)
Provides information on client service requests.
- **Licensing** Phone: (877-249-3694, Option 5)
- **New Business** Phone: (866-598-3692)
Fax: (515-226-5103)
Provides information on new or pending business.

- **Sales Support** Annuity Phone: (866-598-3694)
Provides one-on-one consultation on product information.

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OUR COMPANY PHILOSOPHY

EquiTrust values its relationships with agents and clients. We believe the financial strength, reputation, culture, and tradition of EquiTrust will attract a high-quality sales force that will develop long-term relationships of trust with our Company associates. Furthermore, we are committed to developing strong relationships of trust with our clients for whom we expect all transactions to be conducted honestly and ethically.

Therefore, all field associates must demonstrate the highest standards of financial responsibility and integrity in all dealings with EquiTrust and clients. All agents are expected to exemplify the highest standards of ethical and professional conduct and maintain a record free from compliance and market conduct issues.

In accordance with these Business Guidelines and consistent with your contractual obligation (please refer to your Agent Contract) to do business in conformity with the rules and regulations of EquiTrust, the following standards have been set:

- All agents must comply with the rules, procedures, and policies of EquiTrust, written or otherwise.
- Any action or conduct that constitutes fraud, or suspected fraud, or violates any applicable laws or regulations also constitutes a violation of the rules of EquiTrust.
- EquiTrust does not permit any misrepresentation or modification of any of the benefits, rates, or conditions of policies or contracts of the Company in any respect.
- EquiTrust does not permit any withholding, misappropriation, conversion or co-mingling of funds.
- Use of the EquiTrust name or product specifics in any advertisement requires pre-approval by EquiTrust.
- Use of the EquiTrust name or logo is prohibited on business cards, signage, websites, social media sites, voice mail or other means of identification.
- To maintain the high standards of EquiTrust, you are required to notify the compliance department if you become aware of conduct by other agents or representatives of EquiTrust that violates any Company policy.

EquiTrust is committed to fair and thorough investigation of any conduct that violates its policies. Any behavior deemed unacceptable by EquiTrust may result in contract termination. Proper market conduct is an important component in our continued successful operation. Violation of these standards hinders our business objectives and could also result in your personal liability and/or loss of license.

ADVERTISING

Our Advertising Guidelines, available on the Agent Gateway website, are derived to a large extent from the National Association of Insurance Commissioners (NAIC) Advertisements of Life Insurance and Annuities Model Regulation.

Though the Model has been adopted as the law in a majority of states, many states have their own unique regulations pertaining to advertising. Insurance advertising is closely regulated with frequent changes, clarifications and bulletins issued by state departments of insurance. It is your responsibility as a licensed insurance agent to know the applicable advertising rules in the state(s) in which you do business, and you have a professional obligation to ensure that you stay current with state rules and regulations.

Advertising Definition

Advertising is defined as any material designed to create public interest in any insurance product, or in an insurer, or in an insurance agent; **even though a specific product or company is not mentioned**; or to induce the public to purchase, increase, modify, reinstate, borrow on, surrender, replace or retain a policy or contract. Advertising includes printed, published, or audio visual materials, including brochures, letters, videos, advertisements, or articles, distributed in any medium, including newspapers, magazines, billboards, mail, direct sales presentations, Internet, business cards, or stationary.

This means that some of the materials that you create are advertising as defined by law. You are responsible for making sure those pieces are compliant with state insurance regulations.

Advertising does not include communications or materials used within an insurer's own organization which are not intended for dissemination to the public, nor does it include individualized communications with clients which do not fit the description above.

Advertising Considerations

Accuracy and Truthfulness

No advertising material may contain information that is untrue, misleading or deceptive, nor may any advertisement omit material information where such omission would tend to misrepresent the product or concept advertised. Note that this is based on the overall impression created by the piece and disclosure may not be sufficient to overcome a tendency to mislead.

Whenever products or product features are discussed, any limitations or conditions must be disclosed as appropriate.

Identity of Agent, Appropriate Designations, Purpose of Contact

For any “first-point-of-contact” material such as lead cards, prospecting letters and seminar invitations, the identity of the agent as a “licensed insurance agent,” “licensed insurance producer,” or “licensed insurance professional” must be clearly and conspicuously disclosed, and the stated purpose of the contact needs to include a reference to the products being discussed. Use of the term “advisor” is not appropriate for an insurance agent without a securities registration. It’s also important to note that some states require specific language describing agent identity, and several require identification by insurance license number (e.g., California and Arkansas). There are also several states that require a reference to “insurance sales presentation” (e.g. Illinois and Texas) when inviting a prospect to a seminar or other similar setting. When utilizing lead generating pieces, it must be clear from the recipient’s point of view that the meeting is with an insurance agent and that the meeting is part of the insurance sales process.

Identity of EquiTrust or its Products

For advertisements that refer to EquiTrust or its specific products or product features, the ad must be approved by EquiTrust prior to use. The agent’s or agency’s name and their address and/or phone number must be prominently displayed, and the issuing company, full product name, product type and form number must be referenced.

This is how to use our company name:

First Reference or Most Prominent Reference:

EquiTrust Life Insurance Company®

All other references:

EquiTrust

Registration mark is required on the first use of EquiTrust name, and is not required on shortened versions.

Advertising Pre-Approval

All Advertising Material that includes the EquiTrust name or refers to its products, even if you don’t explicitly state the product name or our company name, must be reviewed and approved by EquiTrust prior to use. Agents and marketing organizations are required to be familiar with advertising approval guidelines and non-compliance can lead to termination. These rules also apply to the use of social media sites such as Facebook, Twitter and LinkedIn when used to solicit or induce a person to purchase or inquire about an annuity product.

All client and agent recruiting materials not produced by EquiTrust must be approved by EquiTrust prior to publication or use.

Please send all advertising, as an email attachment to the Assistant Vice President of Communications, whose email address is available on the Advertising section of the Agent Gateway website. You may also fax or mail the advertising to EquiTrust. Contact information can be found on page 1 of this document.

Please submit your advertising with the following information:

- Agent/Contact Name and Phone number
- Agency/Marketing Organization
- Name of Publication/Medium
- Date and Quantity of Distribution
- Audience type
- States where ad will appear
- Final Approval Deadline

EquiTrust will assign an ad tracking number and advise of any necessary changes within two business days.

NOTE: EquiTrust is only able to review advertisements submitted in English at this time.

Use only the most current sales material provided by EquiTrust or materials that have been approved by the Company. You may order materials from our Sales Support Center or download from the Agent Gateway website.

Advertising and Marketing Requirements in California

California Insurance Code Sections 789.8 through 789.10 impose additional requirements on advertising practices that target senior citizens. Unless otherwise noted, California defines senior citizens as persons age 65 and older. The following is a reminder of your responsibilities when marketing to seniors in California:

Advertisements

Any advertisement or other device created to produce leads based upon a response from the potential client must prominently disclose that an agent may contact the applicant. Any agent making contact with a person as a result of acquiring that person's name from a lead-generating device must disclose the fact in the initial contact with that person.

Agents may not solicit business using a true or fictitious name which is misleading to the senior and may not use advertisements that are misleading in nature.

Advertisements include envelopes, stationary, business cards, worksheets, questionnaires, or other materials designed to describe and encourage the purchase of a product, or to collect personal or financial information about a prospective insured or purchaser of an annuity. Business cards, written price quotations, and print advertisements must include the agent's license number in the same size type as any phone or fax numbers. Business cards, written price quotations, and print advertisements must include the word "Insurance" in the same size type as any phone or fax numbers.

Advertisements may not reference words, letters, initials, symbols or other devices that are similar to those used by government agencies, nonprofit organizations, veteran's organization or agency, charitable institutions, senior organizations, or other organizations which could confuse a senior consumer.

Advertisements may not imply that a senior could lose a right or privilege or benefits under federal, state or local laws for failure to reply to an ad.

Advertisements that claim a senior is entitled to reduced rates or special privileges when the policy or contract will be issued the same as if it were sold on an individual basis at regular rates is prohibited.

Advertisements for events where insurance products (including annuities) will be offered for sale which use the terms "seminar", "class", "informational meeting" or substantially equivalent terms must also include the words "and insurance sales presentation" immediately following the identified terms in the same size font and text.

Marketing Considerations

An annuity may not be sold to any senior in California in which the senior's purpose in purchasing the annuity is to affect Medi-Cal eligibility. While the state of California allows for exceptions to this rule, EquiTrust does not.

Before meeting with a consumer 65 years old or older at the person's home, for the purpose of marketing or selling annuities or other insurance, agents must first comply with all provisions of Section 789.10 of the California Insurance Code, including but not limited to, providing a separate, stand-alone notice in writing to the senior no *less* than 24 hours and no *more* than 14 days prior to the initial meeting. If the senior has an existing insurance relationship with an agent and requests a meeting with the agent in the senior's home the same day, a notice must be provided to the senior prior to the meeting. Form number ET-2535CA is available Agent Gateway website to fulfill this requirement. The notice must filled in appropriately and must not contain additional information beyond what is included in the form.

A person may not solicit a sale of an annuity contract at the residence of a senior, in person or by telephone, by using any plan, scheme or ruse that misrepresents the true status or mission of the contact.

Delivery of Trust or other Legal Document

Section 785.4 of the California Insurance Code requires that agents that are not licensed attorneys are prohibited from delivering to a person who is age 65 or older, a living trust or other legal documents, other than an insurance contract or other insurance product document, if the purpose of the delivery is to sell an insurance product. Any insurance agent that is licensed as an attorney is prohibited from delivering a living trust or other legal document to persons age 65 or older, other than an insurance contract or other insurance product document, unless the insurance agent complies with Section 6175.3 of the Business and Professions Code.

SALES PRACTICES

EquiTrust is committed to fair and active competition as the most effective and efficient means of providing products and services to insurance buyers. We require our agents to engage in fair competition. Failure to do so could result in the termination of an appointed agent. It is important to be aware of the following items when interacting with your prospects and clients:

Misrepresentation

Misrepresentation is a common charge consumers make in complaints. Such allegations are typically made with respect to interest rates, crediting strategy performance, surrender charge schedules, and death benefits, among others.

Agents must provide clients with a comprehensive description of the product during the sale. Only use materials that have been approved by the Company as outlined in the Advertising Guidelines. When discussing any term or provision of a product, use EquiTrust sales materials and disclosure documents in order to provide a complete and accurate explanation. Upon delivery, review the terms and provisions of the contract and specifically discuss the “free-look” provision with the client. By taking these steps, you may prevent future allegations and complaints.

Abusive or Coercive Sales Practices

Agents should always market insurance products in a setting where clients are given meaningful choices. As such, agents must not engage in any sales tactics that involve illegal, abusive, or coercive sales methods. Responsiveness to questions about the product and clear communication about both its benefits and limitations are important parts of the agent’s job.

Unfair Competition

The National Association of Insurance Commissioners (NAIC) has developed model acts dealing with unfair trade practices. Most jurisdictions have adopted the model law or established even higher state specific standards. These are laws and standards intended to define appropriate market conduct in the business of insurance by addressing unfair methods of competition and unfair and deceptive acts and practices.

Unfair competition is conduct that is unethical, dishonest or false, in the insurance business, particularly related to improper practices that try to substitute one insurer’s products or services in the market for those of another insurer.

Agents may not disparage or defame an insurer, its products or another agent in the course of attempting to sell EquiTrust products. This includes making misleading statements as to the financial condition of any insurer or to the legal reserve system on which any Company operates. Agents are prohibited from misrepresenting product features, as well as intentionally misquoting rates or making misleading statements.

If you run into any instances that you believe to be unfair competition, please report those to the Compliance Department. ***Also, please refer to your state laws as they may have more strict definitions or guidelines.***

Pretext Selling

Agents are required to clearly identify themselves as an insurance agent and must not deliberately camouflage the ultimate reason for contacting a prospective client. Broadly speaking, pretext selling can be described as a sales/marketing practice by an insurance agent who, in an attempt to obtain information, performs one or more of the following acts: (1) pretends to be someone he or she is not; (2) pretends to represent a person he or she is not in fact representing; (3) misrepresents the true purpose of the interview; and/or (4) refuses to identify himself or herself upon request.

As such, agents are prohibited from holding himself/herself out, directly or indirectly, to the public as a financial planner, investment advisor, consultant, financial counselor, or any other specialist engaged in the business of giving financial planning or advice relating to investments, insurance, real estate, tax matters, estate or trust matters when such person is in fact engaged only in the sale of life insurance or annuities. This includes a prohibition against the use of inappropriate designations. This does not preclude persons who hold some form of formal recognized financial planning or consultant certification or designation from using their designation when they are only selling insurance. This does not permit persons to charge an additional fee for services that are customarily associated with solicitation, negotiation or servicing of our contracts or policies.

Rebates

Rebating is illegal or at least limited in most states, and prohibited by EquiTrust even if allowed by the state. A rebate involves the return of value of any kind to the client in connection with the purchase of insurance. Nothing outside of the contract may be offered in the application process as an inducement to purchase a product. Transactions that may be considered a rebate include, but are not limited to:

- Any gift designed to induce a purchase
- Return of commissions earned
- Payment by the agent or agency of any premium

AGENT LICENSING AND APPOINTMENT

State insurance departments strictly control licensing, appointment and solicitation requirements. Although most states have similar licensing and appointment rules, there can be important variations and you must be familiar with the requirements of each state in which you intend to conduct business.

You are authorized to solicit only those insurance products that have been approved for sale by the applicable state insurance authority, and for which you are properly licensed and authorized to sell. State laws and requirements change frequently, and you have a professional obligation to ensure that you stay current with state rules and regulations concerning such subjects as training, continuing education, suitability requirements, replacements and various sales practices.

Section 18 USC 1033(e)(i)(a) of the Federal Crime Act (the "Act") makes it a felony crime for a person to engage or participate in the business of insurance if that person has ever been convicted of a state or federal felony involving dishonesty or a breach of trust or a crime under 18 USC 1033.

Any person appointed by EquiTrust to sell its products has an affirmative duty to report possible violations of the Act to EquiTrust.

Selection Criteria for Appointment

Appointment is contingent upon having proof of Errors & Omissions (E&O) Coverage, a Clear Vector One report (No reported outstanding debt owed to other insurance carriers) and a background check showing no past or current felony convictions. In addition, the following items are reviewed when considering appointment:

- Appropriate state licensing
- No bankruptcies or collection items
- No public criminal records
- No current or historical delinquencies

Conditions falling outside the listed selection criteria may require additional disclosure and/or written explanation for appointment consideration. Agents having written complaints within the last six months that do not have conclusive results of the outcome of the complaint will be required to wait six months before the application for appointment will be considered.

Continuing Education

Your appointment with EquiTrust is dependent upon you meeting state continuing education requirements to keep your insurance license. Please note that you must complete state required LTC training before selling EquiTrust's LTC products and complete ongoing LTC training to continue to sell EquiTrust's LTC products. Continuing education requirements differ from state to state. To get the most recent information regarding the requirements in your state, we urge you to visit your state's website or call the State Insurance Department.

Please note that insurers are required to verify training requirements have been met in accordance with applicable state law, which could result in the return of new business applications. Please be sure to consult with your state to ensure you have completed the approved courses and are up-to-date with your state's requirements. In the event that your state does not provide online confirmation for insurers, EquiTrust will require a copy of your course completion certificate. Please refer to the Buzz, FAQ and Best Practices sections of the Agent Gateway website for additional details.

Contact Information

You have an obligation to ensure that EquiTrust has your current contact information, including, but not limited to, email, mailing address and phone number. EquiTrust reserves the right to send all communications, including

contracting information, to you via email.

CONFIDENTIALITY, PRIVACY AND SECURITY

EquiTrust takes confidentiality, privacy and security very seriously. In particular, we share a commitment to protect the confidentiality, privacy and security of our clients' personal and financial information. Clients have the right to expect that their personal information will be protected from unauthorized use. It is your responsibility to keep all client information confidential unless authorized by the client to release.

The following definitions apply this section of the Business Guidelines. These terms are more fully defined in the Agent Agreement.

Confidential Information means confidential, proprietary and trade secret information regarding EquiTrust, EquiTrust's affiliates and any related business operations that you may receive and use in the course of performing your duties under the Agent Agreement.

Customer Information means certain financial or other personal information concerning policy or contract holders of, or applicants for, insurance and annuity products you may receive and use in the course of performing your duties under the Agent Agreement.

Confidentiality

You may retain only such Confidential Information and Customer Information (as defined in your Agent Agreement with EquiTrust) as is necessary for you to fulfill your obligations under the Agent Agreement.

You agree to take all such reasonable measures to protect the confidentiality of Confidential Information and Customer Information.

When your appointment with EquiTrust ends, you must return to EquiTrust or destroy all Confidential Information and Customer Information in your possession.

You agree that you will not disclose or reveal Confidential Information or Customer Information to anyone other than your employees, representatives and Sub-agents who are bound by obligations of confidentiality substantially similar to those in the Agent Agreement and in these Business Guidelines but only to the extent such individuals or entities need to know the Confidential Information or Customer Information to assist you in carrying out the terms of this Agent Agreement. You will be liable for any breach of these confidentiality provisions by any such individual or entity.

You may disclose or reveal Confidential Information or Customer Information if you are legally required to disclose or reveal such information, provided that the Confidential Information or Customer Information is disclosed only to the extent required to satisfy such legal requirement and only after giving five (5) business days' prior notice (to the extent practicable) to EquiTrust of such required disclosure.

Privacy

You agree to comply with EquiTrust's Privacy Notice (available at: <https://www.equitrust.com/section-privacy-tou/>) and any amended or additional Privacy Notice made available by EquiTrust. The EquiTrust Privacy Notice is mailed annually to clients and is included with all new contracts and policies for you to deliver.

You must notify EquiTrust within forty-eight (48) hours of any communication from a customer relating to the customer's right to access, modify or correct his/her Customer Information and comply with EquiTrust's instructions regarding how to respond to such communication.

You agree to comply with the Business Associate Addendum, which is attached to the Agent Agreement as Exhibit B, as may be amended from time to time by EquiTrust.

Security

Like any industry, our industry faces a threat of loss of assets through criminal activity and through human error. One of our industry's assets subject to this threat is the information we possess. This would include information about our clients and other consumers. This threat is further compounded by the potential for regulatory violations in situations where consumer information is accessed, used, disclosed, lost or stolen. Privacy and security regulations require us to take reasonable precautions to safeguard client information from unauthorized access, use and disclosure.

You agree to maintain, and cause your Sub-Agents to maintain, reasonable technical, physical and administrative

measures to safeguard the confidentiality, integrity, and accessibility of Confidential Information and Customer Information.

EquiTrust may, at its option, review your policies and procedures governing the maintenance of Confidential Information and Customer Information.

If you become aware of a breach of security that likely resulted in lost access to, or the unauthorized access, acquisition, modification, use, disclosure or loss of any Confidential Information or Customer Information, you must notify EquiTrust promptly (and in no less than 24 hours) and provide reasonable support to EquiTrust to fulfill its obligations under applicable law. Upon request from EquiTrust and subject to EquiTrust's directions, you will conduct, or pay the cost of conducting, an investigation of any incident required to be reported under this section and will provide, or pay the costs of providing, any required notices to any individual or entity whose Customer Information was or is believed to have been involved.

EquiTrust may ask you to comply with a Data Security Addendum, attached to the Agent Agreement as Exhibit C, as amended from time to time by EquiTrust. If so asked, you agree to comply with the Data Security Agreement.

Massachusetts – due to additional security requirements in the Commonwealth of Massachusetts, an agent certification of compliance is required with your first application written with EquiTrust. Please contact Compliance or Agent Administration with any questions.

NEW BUSINESS

The following points apply to all products and will assist you in completing good-order applications:

- Sell business only in states where you and EquiTrust are properly licensed and appointed. State approvals are listed on the Agent Gateway website.
- Use the sales process to determine if a product meets the client's financial objectives and is in the client's long-term best interest. Document this determination in your client's file. Be sure to use only current forms which can be found on the Agent Gateway website.
- Never make a sale to someone who is in a hospital, nursing home or similar facility or about to enter such a facility. This includes an assisted living facility where the resident requires care to meet certain daily living needs. (Note: this prohibition does not apply to Bridge Index Annuity with Long-Term Care Rider).
- The agent who signs the application should be the agent who made the sales presentation. In order to receive a commission for an application you were not involved in soliciting, complete the Commission Split Authorization (form number ET-3111).
- Verify that all information on the application is correct. Applications should never provide false or misleading information. Any changes or corrections to the application must be initialed and dated. White-out or highlighting may not be used.
- Do not act as a notary for EquiTrust clients or on EquiTrust documents. A notary cannot be an agent either currently or previously appointed with EquiTrust.
 - Never ask any person to sign an incomplete or blank document.
 - Do not take on any conflicting roles with respect to your clients such as acting as trustee, executor, guardian, conservator or attorney-in-fact under a power of attorney. This prohibition includes employees of your agency or family members taking on any conflicting roles with respect to your clients. Nor should you allow yourself, members of your family or businesses/charities that you have ownership interest in to be named as a beneficiary on a client's life policy or annuity contract. The exception to this prohibition is where the client is a member of your immediate family (i.e. spouse, child, parent, sibling).

In Florida, state law provides that the agent's family members must not be designated as beneficiaries (unless there is an insurable interest in the life of the insured) or perform any tasks outlined in this section unless such family member is related to the owner or insured or is a bank or trust company duly authorized to act as a fiduciary.

- Fully explain the surrender charges and that the renewal rates are set at the discretion of EquiTrust but will never be lower than the guaranteed rate.
- Agent incentives should never be used as a rationale behind a client recommendation.

Handling Client Funds

Premium collected from a client at the time of application on behalf of EquiTrust is received in trust and must be submitted to the Company immediately. Keep the following in mind when handling client funds:

- EquiTrust does not allow premiums to be deposited into or paid from agents' accounts under any circumstances.
- Do not use personal funds to pay client's premiums.
- Do not maintain a joint bank account with a client unless it is a member of your immediate family.
- Do not endorse, deposit, cash, or otherwise negotiate any check drawn to EquiTrust.
- Do not lend money to or borrow money from any client unless the client is a properly licensed financial institution.
- Do not accept cash, money orders (unless issued by a bank), credit card checks, or traveler's checks.

Submitting Documents to EquiTrust

EquiTrust now accepts most documents via fax. When faxing new business applications, keep the original documents for your records; do not also submit originals by mail. If the fax is confirmed, do not resend; allow a couple days processing time.

Applications may also be submitted via e-App and mail. Emailed applications are not accepted. For additional questions, please contact Customer Support.

Delivery Requirements

Contracts are to be delivered promptly.

Trusts and Estate Planning

- Agents should be extremely cautious of any involvement with a sales track that connects the sale of Living Trusts or other Estate Planning in conjunction with the sale of insurance products. This caution is also extended to involvement with any program or prospecting system that promotes the use of a trust in connection with qualification for Veteran Administration (VA) benefits (please note that EquiTrust prohibits using EquiTrust products for the purpose of planning or qualifying for Medicaid or Veterans Administration benefits).

The unauthorized practice of law has been recognized in a number of states where a non-lawyer performs the following activities:

- Advising and counseling that a specific type of trust agreement would be suitable for their specific estates and should be established.
- Preparation and drafting of trust agreements and the supervision of the execution of those documents.
- Advising and counseling with respect to the laws of the state governing the probate of decedent's estates and the tax laws of that state and the United States.

While it is proper for agents to be conversant in such topics and to alert their clients to the existence of such options, any direct activity such as explanation of the law, preparation or execution of documents must be handled by a private attorney employed by the client. And, of course, it is always important that the prospective client know from the beginning that the agent is selling insurance.

Grantor Trusts

An application for a trust-owned annuity contract will generally not be accepted when the Grantor of a Trust and the Annuitant are not the same person, with few exceptions. For other trust-owned applications, the Trust Information/Certification (form number ET-TRUST-2502) should be submitted with the application. Annuity suitability will be reviewed as with any other application.

For trust-owned applications in which the product being purchased includes a long-term care rider, no representation is made regarding whether the Owner is eligible to hold a qualified long-term care contract under Section 7702B of the Internal Revenue Code. EquiTrust encourages prospective clients who desire trust ownership of a long-term care product to seek legal and tax advice to determine the eligibility of the trust to hold a qualified long-term care contract.

Policy on Selling Across State Lines

Many agents sell in more than one state. *In order to do business in a particular state, you must have a resident or*

non-resident license and be appointed with EquiTrust to do business in that state. The governing factor is the state of solicitation. In other words, in most cases the state in which the application is signed governs the details of the sale. Details of the sale include which application to use, which replacement form, which product disclosure, the products that are available and where delivery must occur.

As long as the correct forms are used, the agent is appointed in a particular state and the product is approved in the state, the application will meet this review. **An exception is when the agent and client live in the same state and cross state lines to write business.** For example, as outlined in situation 5 on the chart below, if the agent and client are from Iowa (A), and travel to Nebraska (B) to write an application, the application will not be accepted. Furthermore, a client cannot go to another state and purchase a product if the product is not available in their resident state.

Situation	Client Residence	Agent Residence	State of Solicitation	Product approved in state	Acceptable
1	A	A	A	A	Yes
2	A	B	A	A	Yes
3	A	B	B	A & B	Yes
4	A	B	C	A & C	Yes
5	A	A	B	N/A	No
6	A	B	B	B only	No

Note: Situation 1 is not an example of a cross-state sale, but is provided as an example of the “usual” situation.

Other state specific exceptions may exist.

- California – Residents of California cannot purchase an annuity product outside of California.
- Florida - If a client resides in Florida the state Accredited Investor requirements still apply – even if the application is signed outside of that state.
- Massachusetts - By state requirement, no resident of the Commonwealth may sign an annuity application outside of that state.
- New York - When the client’s primary residence is in the state of New York we will not accept the business. The state of New York has very rigid rules in relation to insurance sales and they have strict rules about agents taking their residents to another state to avert their rules and regulations. These rules are designed to curtail situations where state lines are crossed only to obtain a product not available in NY, not to stop business when the client has legitimate residences in multiple states, and therefore would be likely to obtain insurance/annuities in any of those states.
- Utah - Residents of Utah cannot purchase an annuity product outside of Utah.

In situations where the client has residences in multiple states and the sale is solicited in the state where the client votes and the client has a valid driver’s license issued by that state, the product is approved in the state, and the agent is licensed to do business in the state, an exception may be considered (with the exception of annuity products in Massachusetts) **In all situations it is important to understand that delivery must occur in the state in which the application was signed.**

Sales to Active Duty Military Service Members

Many states have adopted regulations pertaining to sales of insurance to active duty service members of the United States Armed Force and have mandated additional disclosure requirements. While making a sale to an active duty military member on a military base is prohibited, sales made elsewhere will require form number ET-MIL-1101, to be provided at the time of application if the client is an active duty member of the United States Armed Forces.

Guidelines for Canadian Residents

EquiTrust is not licensed to do business in any foreign country. However, under the conditions described below, we will make exceptions on annuity applications only for Canadian nationals. At the current time, Canada is the only foreign nation for which EquiTrust will accept business.

Please note that the existence of these Business Guidelines does not assure that any or all applications submitted on Canadian nationals will be accepted. EquiTrust reserves the right to evaluate applications where the applicants and/or annuitants reside in Canada, based on the considerations of the guidelines listed below, and our normal



business processing guidelines.

- Agents may not advertise or solicit business in Canada.
- The application **MUST** be completed in the United States and in a state where EquiTrust is admitted, the agent is duly licensed and appointed and the product applied for is approved.
- Whenever possible, delivery of the contract should be made in the state where the application is taken.
- The proposed owner must be in the U.S. for a reason other than to purchase a product from EquiTrust. EquiTrust will not consider an application on a person who is simply visiting the country.
- The proposed owner must have an existing substantial business connection with the U.S., own real property in the U.S., or be a lawful resident of the U.S.
- Generally, EquiTrust will not accept applications on those who are political figures in Canada; officials; members or employees of Canada (national or local); officers; enlisted personnel; or employees of the Canadian military force.
- The applicant must have a SSN or TIN.
- Any beneficiary of the annuity must have a U.S. SSN or TIN for reporting purposes. If a beneficiary does not have a valid U.S. SSN or TIN at the time the death claim is filed, payment will be made to the estate of the owner for payout to the beneficiary.
- A U.S. mailing address for the owner is strongly preferred.
- All payments must be in U.S. dollars.

Remote Application Policy

EquiTrust understands that there may be situations in which meeting in-person with a client or prospect is not practical. Some alternatives to meeting in-person include but are not limited to video messaging (Skype, FaceTime, etc.) and mail. Regardless of how an application is solicited it is imperative that your clients fully understand the product being purchased.

Use of telephone communications – Existing Relationship Only

Situations may arise where you have an existing relationship with a client and have previously met with them in-person, but physical distance is a temporary barrier. In this situation, communication via telephone and completion of application documents by E-app, mail or fax is acceptable. **Reminder – if you choose to fax the application to EquiTrust, you must also include a legible copy of the client’s government issued identification.**

Use of video messaging – New or Existing Relationship

Internet video messaging communications may be useful tools in helping you solicit new business or maintain your existing insurance business. When using video messaging, completion of application documents by E-app, mail or fax is acceptable. **Reminder – if you choose to fax the application to EquiTrust, you must also include a legible copy of the client’s government issued identification.**

Keep in mind that digital and electronic communications may be subject to technical difficulties. If there are delays or interruptions in service, you should contact the client to reschedule the video call meeting or conduct the meeting in person.

You will be required to view a government issued picture ID while on the video call and record the applicable information on the Remote Application Disclosure, form number ET-5200.

Additional considerations

- Keep records of each meeting held with a client via telephone or video messaging, taking note of the date and time, the subject matter and whether anyone else participated in the meeting.
- Never sign an application and related forms before the applicant signs them. Premium payments should be mailed to your office, and you should let your client know the date that you signed the application and when the application and premium have been forwarded to EquiTrust.
- If an application is signed by an applicant in a state that is not his or her state of residence, the Purchase Across State Lines Disclosure form (ET-5100) is required. If this situation occurs, you must possess the appropriate insurance producer license, training and appointments in all states in which any aspects of the solicitation or sales process occur.

- The contract must be delivered to the owner in the same state in which the application was signed. You must deliver the contract to the owner either via e-delivery, in-person or by delivery service, including USPS (return receipt requested), UPS, FedEx or another courier that can confirm delivery location and time.

REPLACEMENTS

EquiTrust recognizes that in certain instances, replacements are necessary or advantageous to contract owners. However, unnecessary replacements may lead to complaints, regulatory action and litigation. Replacement activity should be considered only if the transaction is in the client's long-term best interest. The appropriateness of a replacement transaction is dependent upon the individual facts and circumstances of the situation. In order to determine whether a replacement involving an EquiTrust contract is in the client's best interest, the agent is expected to:

- Comply with applicable state and federal statutes and EquiTrust procedures;
- Apply EquiTrust's definition of replacement;
- Analyze each replacement to determine if it is appropriate for the client (see Replacement Considerations on following page);
- Provide the information necessary for the client to make an informed decision;
- Disclose on the application or in other written form whether replacement is involved and comply with the Business Guidelines;
- Accompany replacements with full disclosure of all important information and the appropriate replacement form for the state of issue.

Churning is prohibited. Churning is the practice where values in an existing contract are utilized to purchase another product solely for the purpose of earning additional commissions or other compensation. While it may not fall under the strict definition of churning, transactions in which funds are transferred from an EquiTrust contract to another carrier and subsequently transferred back to EquiTrust are prohibited.

"Replacement" as defined by the NAIC Life Insurance and Annuities Replacement Model Regulation is:

A transaction in which a new life insurance policy or annuity contract is to be purchased, and it is known or should be known to the proposing agent that by reason of the transaction, an existing life insurance policy or annuity contract has been or is to be:

- Lapsed, forfeited, surrendered or partially surrendered, assigned to the replacing insurer or otherwise terminated;
- Converted to reduced paid-up insurance, continued as extended term insurance, or otherwise reduced in value by the use of non-forfeiture benefits or other policy values;
- Amended so as to affect either a reduction in benefits or in the term for which coverage would otherwise remain in force or for which benefits would be paid;
- Reissued with any reduction in cash value; or
- Used in a financed purchase.

If one of the previous transactions is processed on an existing contract, either 4 months before or 13 months after the issue date on the new contract, a replacement has occurred.

A financed purchase occurs when the purchase of a new life insurance policy or annuity contract involves the use of funds obtained by the withdrawal or surrender of or by some or all of the policy/contract values, including accumulated dividends of an existing policy, to pay all or part of any premium or payment due on the new policy. In short, a financed purchase will reduce the value of the existing policy and may reduce the amount paid upon the death of the insured.

The definition of replacement applies not just to full surrenders of life insurance policies or annuity contracts, but also applies to new contracts purchased with **withdrawals or partial surrenders** from existing policies or contracts.

NAIC Replacement Model Regulation

In states that have adopted the model, the applicant and the insurance agent must sign a statement on every application that indicates whether the applicant has existing life insurance or annuity contracts. It is not a question

of whether the applicant is actually replacing the life insurance or annuity contract but whether there is existing coverage. If there is existing coverage, then the Model Replacement form (form number ET-RPL-4900) is required. The Model Replacement form defines what a replacement is for the client, so they can make an educated response to the question of whether they are replacing life insurance or annuity business.

If the applicant answers the question on the replacement form that the proposed purchase will not replace existing life insurance or annuities, then the insurance agent's responsibilities with respect to replacement is complete. If the applicant responds on the replacement form that the proposed purchase does involve a replacement, the insurance agent is also responsible for the following requirements:

- The insurance agent must offer to read the replacement notice aloud to the applicant. If the applicant declines, then the applicant must initial the bottom of the form where indicated.
- The insurance agent and applicant must both sign and date the replacement form. A copy of the form must be left with the applicant at the time of application.
- Only approved sales materials are to be used in the solicitation of the applicant's business. A copy of all sales materials used must be left with the applicant at the time of application.

If you have any questions about the requirements of the Model Regulation please feel free to contact the EquiTrust Sales Support Desk. Additionally, watch the Agent Gateway website for notification of additional state adoptions.

Regulation of and Requirements for Replacement Transactions

Almost all states have adopted either the NAIC Model Regulation on Replacement of Life Insurance and Annuities or other regulations with similar requirements to require the agent to provide the client with the information they need to make an informed decision about whether or not the replacement is in their best interest. It is vitally important that you have a clear understanding of the requirements for a replacement transaction in each state for which you are licensed to do business.

For applicants who are residents of California and who are age 65 and older, agents should be familiar with, and comply with, all senior specific considerations of California replacement and suitability law and regulation.

Some states may require an agent replacing a variable product to be a registered representative. Please be sure to familiarize yourself with your state's specific regulations.

Replacement Considerations

Replacement of existing life insurance or an annuity may or may not be in the best interest of the client. If replacement is contemplated, it is crucial that the agent help the client determine whether replacement is appropriate in light of the client's goals and objectives. You should be in a position to demonstrate that (1) you conducted a thorough review of your client's needs/objectives, (2) you made a fair and careful comparison of the existing policy/contract with the proposed contract, and (3) you can readily articulate the primary reason for the replacement recommendation and why it is suitable for the client. Some suggested benefits, disadvantages, and alternatives are as follows:

Possible Benefits:

- New cost of insurance rates/current mortality table
- Administration support
- Extended maturity
- Preferred underwriting
- Premium flexibility versus fixed premium
- Features available
- Death benefit flexibility
- Improved loan interest rate
- Consolidation of policies/contracts
- Rate of return potential of variable product
- Avoid loss of death benefit
- Tax considerations
- Enhanced policy performance
- Opportunity to improve underwriting due to updated interpretation

- Cash value benefits
- Interest rates (current and guaranteed)
- Company ratings

Possible Disadvantages

- The new policy or coverage may require underwriting
- Acquisition costs for the new policy or contract
- Surrender charges may apply to the new coverage as well as the old
- Contestability period and suicide provisions usually start over for the new coverage or policy
- If existing cash values are used to fund the new coverage, the existing policy will not accumulate value as originally expected
- In cases where policy values are being used to pay premiums on the existing policy, the remaining cash value may be insufficient to carry the coverage. The policy owner may have to resume premium payments. If current interest and expense assumptions change, the cash value may be unable to carry the existing policy.
- There may be adverse tax consequences
- There may be differences in coverage and policy or contract features
- Interest rates (current and guaranteed)

Possible Alternatives

- Leave the existing policy or contract intact and purchase a new policy or contract
- Explore whether the client qualifies for an improved rating on existing policies

Unnecessary Replacements

Agents and insurers are prohibited from recommending the replacement or conservation of an existing policy by use of a materially inaccurate presentation or comparison of an existing policy or contract's premium and benefits or dividends and values, if any, or recommending that a consumer purchase an unnecessary replacement annuity. This also applies to partial surrenders that are not intended to completely replace an in force contract.

Patterns of actions by policy owners who purchase replacement policies from the same agent after indicating on applications that replacement was not involved in the sale, constitutes a rebuttable presumption of the agent's knowledge that replacement was intended in connection with the sales of those policies and the agent's intent to violate this rule.

As an agent, please remember it is your responsibility to ensure that the product meets the financial objectives of the client. It is also important to be aware of your state's specific replacement regulation and subsequent requirements.

ANNUITY TRANSFERS

- Before filling out transfer paperwork, contact the exchanging company for their paperwork requirements. This may avoid having to go back to the client.
- Verify that owners and annuitants are listed on the EquiTrust Transfer exactly as they appear on the exchanging company's contract.
- Verify the address of exchanging company. Supply EquiTrust with the mailing address rather than P.O. Box for overnight mailing purposes.
- Obtain signatures of all owners on the contract/policy being replaced.
- When requesting multiple transfers, complete a transfer form (and replacement form, if necessary) for each exchanging company. Forms can be printed from the Agent Gateway website, under Forms/Materials. We require an "Authorization to Hold" form if the funds are to be held until all funds have been received.
- When calling the transferring company to check the status on pending transfers/1035 exchanges, do not claim to be an employee of EquiTrust. When following up on transfers, it is expected that you identify yourself appropriately.

INTERNAL TRANSFERS/EXCHANGES

EquiTrust allows Internal Transfers/Exchanges in limited circumstances. All replacement and suitability requirements apply. The program is available for an existing Traditional Fixed or Index Annuity that is outside the

normal surrender charge period. Transfers/Exchanges are accepted into annuity or life products currently offered by EquiTrust with the exception of Confidence Income Immediate Annuity. While partial Transfers/Exchanges are allowed into a new Contract, the existing Contract must be outside the normal surrender charge period as outlined above.

A new application and all supporting documentation is required. Current forms can be found on the Agent Gateway website.

TAX WITHHOLDING

When requesting withdrawals and surrenders from EquiTrust policies/contracts, be certain your clients complete the withholding section of the Partial Withdrawal form (form number ET-PARTIAL-2501) OR Surrender form (form number ET-SURR-2501). EquiTrust is required to withhold in accordance with IRS guidelines. When no withholding instructions are provided by the client, we are obligated to withhold. At the start of a new calendar year, we are unable to recover withholding remitted for a prior year.

If your client needs transactions reversed for a prior year, please inform them that we may reverse the transaction but **cannot reverse withholding**. In order for contract owners to recover withholding, they must report it on their current tax returns, using the 1099 information they receive from EquiTrust. All withholding taken on prior year's withdrawals and surrenders will be reported to policyholders on 1099s, which are mailed by January 31.

Special Note on Annuitization Proceeds: IRS guidelines require that a withholding election on annuitization proceeds must be made prior to the initial payout date. In accordance with IRS guidelines we are unable to reverse any annuitization transactions after annuitization has begun.

COMPLAINT, FRAUD, OR SUSPECTED FRAUD POLICY

EquiTrust is committed to providing fair and expeditious handling of client complaints and disputes. Complaints are defined as a written communication primarily expressing a grievance.

Duty to refer complaints to EquiTrust

Written complaints must be immediately referred to the Compliance Department. If a consumer has a complaint, he or she should be asked to submit it in writing. Contact information can be found on page 1 of this document.

Duty to respond to Company inquiry about complaints

Once a complaint has been received by the Compliance Department, all agents listed on the application will immediately be contacted in writing and may be sent a copy of the complaint. The agent is asked to promptly respond directly to each allegation contained in the complaint. The agent should include any fact-finding or needs based selling documentation in the file, sales/marketing materials used and a delivery receipt, if one exists, or if a delivery receipt does not exist, the date on which the contract was delivered.

Consequences for failing to respond to an EquiTrust inquiry

Failure to respond to a Company complaint inquiry may result in termination of an agent's appointment and may result in a commission chargeback and/or forfeiture of all rights to any further payments under the agent's contract with EquiTrust.

Important Notice on Fraud

It is the policy of EquiTrust that representatives or employees shall not knowingly engage in, or provide assistance to others in any unfair or deceptive practice that involves dishonesty or a breach of trust. This includes, but is not limited to, any activity that constitutes fraud or deceit, misappropriation of funds or personal property, forgery, embezzlement, or unauthorized alteration of documents.

Suspected fraudulent activity is to be reported EquiTrust immediately.

Agents and employees have an affirmative duty to report any known fraudulent or suspicious activities. No retaliation will be taken against any third person who provides a report on a possible violation of law, ethics, or Company policy - no matter what the report concerns.

If you fail to report, while having knowledge of violations, you will be subject to disciplinary action, including, but not limited to, termination of agent's contract(s)/appointment, recommendation of license revocation and criminal prosecution, civil litigation and restitution. Otherwise, your silence is deemed certification that you have no knowledge of violations of the Company's policy by any representative of EquiTrust.

EquiTrust will cooperate fully with law enforcement and regulatory agencies in the investigation and reporting of



established violations of our policy.

We believe that an insistence on the highest standards of ethical behavior benefits all clients, agents and employees.

MONEY LAUNDERING AND TERRORIST FINANCING

The USA PATRIOT Act establishes certain requirements and controls for the financial services industry in order to prevent financial institutions from being used for money laundering and the financing of criminal and terrorist activities. EquiTrust has adopted an Anti-Money Laundering (AML) Program in order to fulfill its obligation under the USA Patriot Act and other federal laws related to the prevention of money laundering and terrorist financing. As always, EquiTrust is committed to compliance with the letter and spirit of all legal requirements applicable to our business and to ethical standards of conduct. We also expect that you, as our distributors, will promote these same high standards.

Although this policy does significantly affect the way you administer business, there are some guidelines to which you must adhere, as well as some procedures that should be followed if you suspect an illegal transaction.

Agent Training Required

Federal AML regulations – mandated by the Patriot Act – require that insurance agents receive training on money laundering and terrorist financing, and insurance carriers are responsible for ensuring that agents comply.

EquiTrust offers training to active agents who have written EquiTrust business at no cost to the agent. Once an agent has been identified as having written EquiTrust business, the agent will be notified by mail of the training requirement. The training is offered online, and takes 30-40 minutes to complete. Only LIMRA-sponsored training will be accepted. If an agent takes the LIMRA training through another carrier, no further action is needed, as LIMRA will report the agent's completion to EquiTrust.

Once an agent has been notified that they are required to complete AML training, the agent will have 30 days to complete the training. If the agent has not completed the training within the 30 day time frame, all new business from that agent will be rejected until we receive verification from LIMRA that training has been completed.

EquiTrust recognizes two exceptions to the training requirement. 1) Bank representatives are exempt from the training requirement due to the fact that bank representatives are already required to take AML training under the Bank Secrecy Act. 2) Registered representatives (securities licensed agents) are exempt from the training requirement as registered representatives are already required to take AML training under the regulations applicable to registered products.

EquiTrust maintains a list of bank representatives appointed with the Company. If you are a registered representative and wish to become exempt from the EquiTrust requirements, you must submit a valid CRD number (assigned by FINRA) and the name of your broker dealer to the licensing and contracting area of EquiTrust.

Client Identification

EquiTrust agents are required to meet "Know Your Client" requirements as part of each application. This means that you must use reasonable efforts to determine and verify the true identity of a client.

We are relying on you to obtain all of the information required to verify identity. Most clients will understand that these measures are needed to protect against money laundering, identity theft and other wrong doing. If a client is unwilling to provide you with such information, explain the basis for our policy and insist on proper identification. If the client continues to resist, it may be an indication that the client is trying to hide something.

Acceptable forms of Payment

In addition to identifying our clients, we must have reasonable belief as to the source of the money used in the transaction. EquiTrust will not conduct business involving illegal funds. We must take care to identify the ownership and source of payments we receive; therefore, the only acceptable forms of payment will be:

- Third-party checks that originate from an insurance company, securities or brokerage firm, or pension plan and are endorsed over to EquiTrust
- Cashier's checks made payable to EquiTrust from a U.S. bank, including those labeled as "treasurer's checks" or "bank checks"
- Personal checks must be from a U.S. bank. If the name and address of the Applicant is not listed on the check, the relationship between the Applicant and the check writing party must be verified

- Rollover checks and transfer checks received from a U.S. insurance company or U.S. financial institution
- Wire transfers where the originator is the contract/policy owner, or the contract/policy owner's account and the transfer is drawn on an account from a bank in the United States

The following forms of payment will not be accepted:

- Currency (domestic or foreign)
- Personal checks that include a New York address
- Traveler's Checks and credit card checks
- Money orders (unless issued by a bank)
- Cashier's Checks from places other than financial institutions
- Other cash equivalents
- Wire transfers directly from a foreign financial center
- Checks drawn from distributor accounts (other than for members of the agent's immediate family)

Suspicious Activity

It is your responsibility to report any suspicious activity that arises during the application process. Failure to report suspicious activity is a Federal offense, and lack of knowledge about suspicious activity is not a defense. Some risk indicators to watch for:

- The applicant is reluctant to provide normal information when applying, provides minimal or fictitious information, or provides information that is difficult or expensive to verify.
- Transactions that involve an undisclosed party.
- The applicant shows no concern for the performance or benefits of the contract, but is very concerned about early cancellation provisions.
- The applicant appears to have contracts or policies with several institutions.
- The applicant purchases contracts in amounts beyond his or her apparent means.
- The applicant is making a single large premium payment, such as buying a single premium annuity and the ownership and source of funds cannot be identified.

This list is not all inclusive. If you see activity that appears to be suspicious, report it to the Compliance Department.

ANNUITY CONTRACTS – ADDITIONAL INFORMATION

Annuity Suitability

The Company has developed a suitability program designed to assist agents in gathering relevant information from consumers and making recommendations that are compliant with the National Association of Insurance Commissioner's (NAIC) Suitability in Annuity Transactions model regulation.

Suitability information is gathered on the Financial Needs Analysis form (form number ET-2506, may vary by state). A separate form is required with each annuity application. The form acknowledges review of the product-specific disclosure statement, provides a method of collecting and communicating client suitability information, acknowledges the suitability of the agent recommendation and helps maintain our system of supervision. This form does not represent the only information gathering an agent should do, but rather is an acknowledgment we use to confirm the receipt of certain relevant information and to ensure our system of supervision is followed.

Refer to the Annuity Suitability Agent User Guide for complete information regarding EquiTrust's Suitability Standards. Agents are required to review the Annuity Suitability Agent User Guide prior to appointment and at least once per year thereafter.

Agent Training

We require that EquiTrust agents be familiar with EquiTrust products and our Business Guidelines, including our Annuity Suitability Standards, and require that each agent review these Business Guidelines on an annual basis.

- Prior to soliciting the sale of an annuity product, the agent must have adequate knowledge of the product to recommend the sale of the annuity product. We will require certification of completion of Company provided product-specific training be submitted to us prior to solicitation.
- We require that agents complete any and all additional training courses required by state or federal law or

regulation and submit proof of completion prior to solicitation.

We will make certain product-specific and other training available on the EquiTrust Agent Gateway website or in some other manner, where appropriate. There is no charge for this training. Updates and enhancements in our products may require additional training.

Types of Plans Accepted

The following classes of tax-qualified plans are available for issue:

- Traditional IRA
- SEP IRA
- Roth IRA
- SIMPLE IRA – Transfers only; no new or ongoing contributions

Qualified plan types such as 401(k), 403(b), Pension plans, etc. will not be issued. If eligible, they may be rolled over into an individually owned IRA.

Confidence Income Annuity® (SPIA) is available for non-qualified and IRA plan types only, with the exception of an Inherited IRA.

Joint Ownership of Annuity Contracts

An applicant may request joint ownership of a fixed annuity because they are under the misconception that joint ownership of an annuity is like joint ownership of a bank account. It is not.

With a joint bank account, either of the persons named on the account can make a withdrawal from the account without permission from the other. With joint ownership of an annuity, the signatures of both owners are required to exercise the rights of ownership.

Further, if a withdrawal is taken from an EquiTrust annuity, the primary owner will receive a 1099 form. This means that the primary owner assumes the tax liability for the withdrawal, even if the entire withdrawal was spent by the joint owner. Any joint owner under age 59 ½ would also be liable for the 10% penalty tax on any taxable amount of his or her portion of the withdrawal.

Additionally, when a contract has non-spousal joint owners, the distribution at death rules are applied upon the death of the first owner. Depending upon the product and beneficiary designations used, this could mean that the entire interest in the contract would be distributed to the beneficiary(ies) of the contract, rather than to the Joint Owner.

If joint ownership by a married couple is desirable for other reasons, the primary beneficiary must be listed as “surviving spouse” for the spousal exception to the required distribution rules to apply. If someone other than the spouse is named as the designated beneficiary, or even if the spouse is the beneficiary along with another person, regardless if the surviving spouse is a joint owner, the spousal exception is lost. ***Some EquiTrust products provide an exception to this, and state that upon the death of the first owner, the surviving owner is deemed the primary beneficiary. It is important that you are familiar with the product you are selling as well as the needs of the client to ensure that ownership is being structured properly.***

The desirability of joint ownership should always be carefully reviewed before naming more than one owner to an annuity. Any questions regarding the taxation of an annuity contract should be referred to a tax advisor.

Guidelines for Custodial Accounts

A fixed annuity contract may be established for a minor under the Uniform Gift to Minors Act (UGMA) or the Uniform Transfers to Minors Act (UTMA). The establishment of an UGMA/UTMA contract allows someone to make gifts to a minor without setting up a trust. The transfers made to a contract of this type are considered an irrevocable gift to the minor.

Eligibility Requirements

- A contract may be established for any child under the age of majority. The age of majority is usually 18 or 21, but in some states is age 25.
- An adult is appointed as custodian to manage the contract for the benefit of the minor until the child reaches the age of majority as defined by state laws. Upon reaching the age of majority, the child gains control of the contract. The custodian of the contract must act prudently when managing the contract and/or proceeds of the contract. It may be preferable to name someone other than the donor as custodian

otherwise the contract may be included in the donor's gross estate for taxation purposes.

- No income restrictions exist.
- Anyone may make a contribution to the contract.
- No contribution limits exist (outside of the product's specific limits).
- Under the annual federal gift-tax exclusion, each donor may generally make gifts up to the federal gift-tax exclusion limit per child without federal gift-tax consequences. Annual contributions to an UGMA/UTMA contract must be made during the calendar year.
- The child must be named as the annuitant. The estate of the minor is named as the beneficiary.

Tax Considerations

- All earnings are reported to the IRS under the child's social security number.
- Children under the age of 19 must pay income tax on their unearned income above a certain amount. (Full-time students under the age of 24 also are subject to this rule.) In 2018, amounts over \$2,100 are subject to this rule.
- There are no special taxation rules for UGMA/UTMA contracts – the rules applicable to minors with unearned income apply.

EquiTrust and its representatives are not tax advisors. Any questions regarding the taxation of an annuity contract should be referred to a tax advisor.

Other Considerations

- The contract may be included in the child's assets when determining financial aid eligibility.
- Once the child reaches age of majority, the contract proceeds can be used for any purpose and the child is not limited in using the money. The money is not required to be used for educational purposes – regardless of the wishes of the donor.
- The custodian is allowed to withdraw funds according to the terms of the contract, but the funds must be used for the benefit of the minor.

Delivery Receipt Requirements

Annuity product delivery receipts are required by state law for all cases written in the states of California, Louisiana, New Hampshire, Minnesota, Pennsylvania, South Dakota and West Virginia. By Company practice, delivery receipts are included for all issued contracts. EquiTrust requests the return of the signed delivery receipt, as they provide the ability to:

- allow the agent the ability to document the timely delivery of the contract;
- accurately track the free look period;
- provide documentation to determine the date of release for commissions that are held; and
- provide a signature to verify future transactions against in the event electronic signatures are used at the time of application.

Delivery Receipts will be included with every issued annuity contract issued by EquiTrust; however, client-signed Delivery Receipts are **required** in these circumstances:

- all states that required Delivery Receipts, regardless of premium amount
- all Confidence Income Annuity (SPIA) contracts

Faxed delivery receipts are accepted. Please contact New Business for verification.

Commission-Hold Policy

Commissions will be held on all Confidence Income Annuity (SPIA) sales until the signed delivery receipt has been received by EquiTrust. Your commission statement contains a "Held Earnings" section. If you have any questions about the commission-hold policy, contact EquiTrust Sales Support.

Stranger-Originated Annuity Transactions

Stranger-Originated annuity (STOA) transactions include a practice or plan to initiate an annuity for the benefit of a third party investor who, at the time of origination has no relationship to the annuitant.

EquiTrust has policies designed to help identify this type of transaction. The Company's Chief Legal Officer will review and provide prior approval to any agent(s) or entities submitting STOA applications. All STOA applications will be reviewed on an individual basis by the EquiTrust Compliance suitability team.

LIFE INSURANCE – ADDITIONAL INFORMATION

EquiTrust is not currently marketing new life insurance policies, but does maintain an existing block of life insurance business.

The basic function of life insurance is to provide payment to persons who suffer loss. While the primary function of life insurance is to provide benefits to survivors when the person whose life is insured dies, some life insurance policies, because of their premium structure, are used for accumulating and holding assets.

The policyowner should understand that insurance charges and expenses begin on the Policy Date. Accrued cost of insurance charges deducted from the initial premium results in Policy values being lower than those illustrated.

Documentation

Agents should maintain thorough documentation for each sale after the sale is completed. **IMPORTANT NOTE:** Don't destroy any documentation associated with the sales process. This includes, but is not limited to, advertising, letters, sales materials, brochures, illustrations and signed forms.

Stranger Originated Life Insurance

Stranger Originated Life Insurance (STOLI) is a practice or plan to initiate a life insurance policy for the benefit of a third party investor who, at the time of policy origination has no insurable interest in the life of the insured. State insurance law may prohibit the owner of a life insurance policy from entering into any agreement to sell, transfer or assign a life insurance policy prior to the date the policy was issued, or within a period of time specified by state law after the policy was issued.

EquiTrust has policies designed to help identify this type of transaction. When such a change of ownership is identified, the request will be declined.

Tax Treatment of Life Insurance

Life insurance products receive favorable tax treatment with respect to the inside build-up of cash value and death benefits if they meet certain definitions under Federal tax laws. With the advent of flexible premium policies, Congress became concerned that flexible premium policies would become investment vehicles and not insurance. To deal with this concern, Congress passed a number of laws to address the potential problem.

If the policy fails to pass certain qualification tests after the date of issue, the policyholder will be notified.

OFFICE FILE CHECKLIST

EquiTrust encourages you to review your office files to ensure proper documentation, and this checklist has been created to assist you. **IMPORTANT NOTE:** Don't destroy any documentation associated with the sales process. This includes, but is not limited to, advertising, letters, sales materials, brochures, illustrations and signed forms.

Office File Checklist

Agent: _____

Client: _____

Date: _____

Contract delivery date: _____

Documentation on how product/replacement meets client's needs:

Reminder: No incomplete or blank forms signed by clients

