



American Equity's COMPLIANCE ZONE

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American Equity is committed to keeping our National Marketing Organizations and Agents aware of important regulatory and compliance issues. We hope you find this regular Compliance Newsletter engaging and informative.

This document is prepared to provide general information only. American Equity Investment Life Insurance Company® does not give legal, tax or investment advice. Please consult your own personal advisor for these matters.

DO-NOT-CALL IT'S THE LAW!!



As a reminder, when making phone calls to potential customers, you must follow all federal and state Do-Not-Call laws. These laws are designed to allow consumers the ability to opt-out of receiving unsolicited sales calls. Do-Not-Call laws extend to other forms of communication too, including no-fax and CAN-SPAM laws prohibiting or restricting unsolicited faxes and emails.

If you make telephone solicitation calls to non-existing customers, you must register with the FTC at <https://www.donotcall.gov>. Additionally, when making unsolicited calls to non-existing customers, federal law requires you to compare any phone number called to the National Do-Not-Call Registry. If the number appears on the Registry you may not call that consumer, either directly or through the use of a third-party, including use of automated calling services (robo-calls).

Generally, you may make solicitation calls to non-existing customers if

they are not on the Do-Not-Call Registry. Additionally, you may call such individuals if you receive permission to call them. For example, you hold an educational seminar and during that meeting you pass around a form asking the attendee for contact information and inform them that you may be in contact with them about products and services you provide. In this case, if they provide you with such information you are usually free to contact them even if their number has been entered on the Do-Not-Call Registry. It is strongly suggested that you maintain copies of any lists gathered. The language on any form should be very clear that, by providing any information, the consumer may be contacted by you.

Finally, existing customers who are

listed on the Do-Not-Call Registry may usually be contacted by you if you are doing so in the normal course of servicing them as existing customers. Also, unless they have specifically asked you not to, you may contact them to inquire about their interest in additional services and products you may provide.

Besides the federal Do-Not-Call Registry, many states also have laws and regulations surrounding consumer solicitation through electronic means. You should visit the FTC and FCC websites for more information about the Federal Registry and your state's website for information on state-specific requirements. We also suggest you contact your personal legal advisor to assist you with any questions surrounding this subject.

Suitability Reminder Investable Assets

When completing the financial information on the suitability form, American Equity only takes into consideration investable assets. The suitability department does not consider the following assets as part of the net worth: **Primary Residence, Automobiles, Collectibles, Antiques, Artwork or any other type of personal property.** Please feel free to contact the Suitability Department at 1-888-221-1234 Ext. 1838 should you have any questions when completing the suitability acknowledgement form.



Anti-Fraud Education



Many states require ongoing anti-fraud education and training. This requirement is not only for home office members who would generally be the first line of defense in watching for red flags, but also for agents. On the [agent website](#) you can review many compliance related topics, including “[Anti-Money Laundering Red Flags](#)” and our “[Agent Guide to the Detection and Prevention of Insurance Fraud](#).” It is important you review these documents and report any *suspected* fraud to the Resolution Department.

Fraud can take many forms and states often have requirements with specific time frames in which we are required to report any suspicion of fraud. We are diligent in our internal processes for training, investigations and reporting to meet these requirements. We depend on all team members, as well as our independent agents, to ensure compliance.

Suitability Reviews: Non-Natural Ownership

All non-natural owner applications, or anyone signing application paperwork on behalf of another individual, will require a review by our suitability department.

When completing the financial information on the suitability form for trust-owned contracts, please determine if the trust is **revocable** or **irrevocable**.

- The financials for **Revocable** trusts or Living trusts are based on the Grantor's assets.
- The financials for **Irrevocable** trusts, Special Needs, Supplemental Needs or Charitable trusts are based solely on the trust's assets.

The suitability information and all pages of the suitability form should be fully completed. Instead of indicating information as not applicable, simply write \$0 to answer these questions — especially for income and expenses. When there is uncertainty for how to complete the financial information, please consult the trustee or authorized signer.

When completing the suitability form for **business entities**, the financials are based on the entity's assets and the suitability form should be completed in its entirety. In addition to the required documents associated with non-natural owners, the trustee(s) or authorized signer(s) must sign all American Equity forms in his/her proper capacity.

American Equity is dedicated to providing superior customer service. Please keep in mind, failure to provide all required documents may result in a processing delay.





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Rebate

A rebate is generally defined as a return of premium, sharing of commission or providing of anything of value, with the intent to induce a sale of an insurance product, or that may influence a customer to maintain or increase existing insurance coverage, including annuities. State insurance departments all have specific regulations regarding rebates. Because of this, American Equity has determined that rebating will not be allowed.

We also recognize that agents sometimes say, "thank you" for business and continued support by providing a special "gift." In general, you may do so in most states, but you must take care to ensure that such thank you gifts are not seen as rebates. Many states have limits on how much a thank you gift may cost.

Generally, most states recognize that agents have ongoing relationships with existing clients and that it is often customary to meet with clients in social settings and activities that may include meals, sporting events or other non-insurance related activities. Because these types of activities usually occur after the sale, most states do not consider them as rebates so long as there is no tie-in, such as requiring continued business or new business to receive the gift or participate in the activity.

Additionally, value-added services provided by agents such as newsletters, financial check-ups and reviews, etc., if they are related to the type of insurance purchase and are intended to reduce claims, are generally not considered rebates.

Many agents seek to increase their visibility and recognition by handing out promotional items of minimal value such as pens, pencils, calendars, atlases or golf balls. Most state insurance departments have set out limits on cost of such items. You should always verify any dollar limit in your state before providing any gift or give-away.

Insurance Departments also recognize that agents advertise and market their services and products in a variety of other methods, including the sponsorship of events. Such events, whether charitable or not, are generally not considered a rebate.

Lastly, free educational seminars open to the general public where food may or may not be served, are generally not considered rebates as long as no actual selling of a product or service takes place at the event. Also, there can be no requirement that attendees must arrange for a future or follow-up meeting, or that personal information must be given as a condition for attendance. Remember, in these instances, free means free.

Pending Transfer Follow-Ups

As part of our New Business operating procedures, we periodically analyze turn around times of transfers on pending business. We have found it to be beneficial to adhere to the transfer company's time frames and to base our pending follow-up call accordingly.

If you have any questions about a pending transfer or would like to request a follow-up be done on a pending transfer, please contact our Annuity New Business Department at 888-273-1234.





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Forms of Payment

American Equity accepts the following types of payment to fund incoming business:

1. Electronic fund transfers (EFT), ACH transfers and wire transfers if the funds are received from a bank account owned by the same person as the proposed contract owner.
2. 1035 Exchanges and Direct Transfers from other insurers which are made payable to American Equity FBO contract owner.
3. Bank issued money orders, certified checks or cashier's checks if the named remitter is the proposed contract owner and is clearly identified on the funds.
4. Personal checks containing the name and current address of the bank account owner.

Please keep in mind that American Equity does not accept third party checks which are made payable to someone other than American Equity, which have then been endorsed over to American Equity by the payee. The payee must first cash the check and then draft a new check made payable to American Equity.

In the event the remitter of funds is someone other than the contract owner, the remitter must submit a letter of instruction to American Equity stating 1) they are gifting the submitted funds to the contract owner and 2) they understand they will have no interest in or rights of ownership in the annuity contract. American Equity will only accept a check with a remitter different than the contract owner when the remitter is an immediate family member of the contract owner, or the remitter is the contract owner's trust. If the check is drawn on a trust owned bank account, in addition to the letter of instruction, American Equity requires pages of the trust, which authorize the trustee to purchase an annuity policy, to be owned by someone other than the trust.



Agent-Client Relationship

Establishing and maintaining the trust of customers is very important. This involves placing the needs of customers as a top priority and avoiding even the appearance of impropriety. With that in mind, unless the agent is closely related to the contract owner, we do not allow current or former agents, their spouses or anyone affiliated with them to:

- act on behalf of a contract owner as attorney-in-fact under a power of attorney;
- serve as trustee or trust protector of a contract owner's trust;
- be designated as a beneficiary of the contract owner's trust;
- be designated as a beneficiary of an annuity contract which the agent sold or serviced; or
- notarize or witness a customer's signature on a trust, power of attorney or other legal document.

We have created these policies due to increased oversight within the industry. Please review your files to ensure any power of attorney, trust or beneficiary designation meets the above requirements and does not jeopardize our relationship with you or the customer.

State Annuity Training Requirements

- Alabama and Massachusetts have one-time annuity training requirements effective Jan. 1, 2017.
- In Alabama, newly licensed agents will need to take a 4-hour state approved annuity training course before selling an annuity. Agents currently licensed need to comply by July 1, 2017. In Massachusetts, all agents need to take a 4-hour state approved annuity training course before selling an annuity as of Jan. 1, 2017.
- Agents should provide American Equity with a certificate of completion that can be faxed to 515-221-0138 or emailed to agencyemail@american-equity.com.



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Advertisement Quantity

We are thrilled that many agents have been taking advantage of the "Ad Slicks" we offer. Ad Slicks are free, customized, pre-approved advertisements for American Equity annuity products. The Advertising Request Form used to order Ad Slicks has been recently updated, and a new field for advertisement quantity has been added.

The NAIC Advertising Model Law (Model 570) requires record of the extent of distribution of an advertisement to be maintained in the complete advertising file. This file, subject to inspection at any time, must be maintained for a period of five years after discontinuation of its use or publication.

When completing the Advertising Request Form, please fill in the quantity of advertisements you expect to distribute. This quantity is for record-keeping purposes only. Due to printing capacity, American Equity is unable to print Ad Slicks and will provide the advertisement to you in electronic format for your convenience.

Manner and Extent of Distribution+

- Direct Mail QTY
- Point of Sale QTY
- Website* QTY
- Newspaper/Magazine QTY
- Seminar QTY
- Other QTY

+ If exact quantity is unknown, please provide an estimation.

American Equity's Compliance Department has four primary functions: establishing the compliance framework within which the company and our producers must operate; implementing this framework through policies, procedures and controls; monitoring these policies, procedures and controls; and providing solutions when the results of the monitoring warrant. As always, we are here to answer your compliance questions.

If you have any questions, comments or concerns regarding any article in this publication, please email us at compliance@american-equity.com.



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You are required to submit any advertising materials that specifically mention our Company name, products, or product features to our Compliance Department for review and approval prior to any use. Advertising should be submitted to: advertising@american-equity.com. Failure to do so may lead to termination of your contract with American Equity.