

# COMPLIANCE MANUAL

MIDLAND NATIONAL LIFE



THE RIGHT DIRECTION FOR YOUR **FINANCIAL FUTURE.**

 **MIDLAND NATIONAL**<sup>®</sup>  
Life Insurance Company • Annuity Division  
A Member of the Sammons Financial Group



## INTRODUCTION

Midland National endorses and supports the concepts in the Principles and Code of Ethical Market Conduct established by the Insurance Marketplace Standards Association (IMSA). As a representative of Midland, you must agree:

- To conduct business according to standards of honesty and fairness;
- To provide service to the customers which, in the same circumstance, you would apply or demand for yourself;
- To provide competent customer focused and suitable sales, based on an analysis of the insurable needs and financial objectives of the customer;
- To engage in active and fair competition;
- To provide advertising and sales materials that are clear as to purpose, honest and fair as to content;
- To provide fair and expeditious handling of consumer complaints and disputes;
- To comply with all applicable laws, regulations, and company requirements; and
- To report any activities of which you are aware that may be in violation of this code.

## THE MIDLAND NATIONAL COMMITMENT

Midland National is committed to fair and ethical sales practices for all its customers. We are also committed to complying with applicable laws and regulations, the IMSA Principles of Ethical Market Conduct and the Company's Policy Statement Concerning Fair Competition. We will maintain and enforce policies and procedures to reasonably assure compliance, including a system for communicating all company requirements and monitoring sales practices. Agents of Midland National are expected to uphold these principles and guidelines. A violation of these guidelines by an agent will result in disciplinary action, including, if appropriate, termination of the relationship with the Company.

## POLICY STATEMENT CONCERNING FAIR COMPETITION

Midland National will engage in active and fair competition and believes that such competition is the most effective and efficient means of providing products and services to customers. Such competition, however, must be carried out in a manner consistent with applicable laws. Federal and state laws exist to preserve a competitive economy in which free enterprise can flourish. Midland National supports the purposes of such statutes and laws and insists that agents are in full compliance with applicable federal and state statutes and regulations governing trade practices, antitrust and restraint of trade. Midland National and its agents will:

- Comply with applicable state and federal laws fostering fair competition;
- Refrain from utilizing or producing any misrepresentative or false advertising: (a) regarding insurance products or the product benefits, advantages, conditions, or terms of any insurance contract; (b) concerning interest, dividends or surplus to be received on any insurance contract; (c) involving the use of any name or title misrepresenting the true nature of an insurance product;
- Refrain from making, publishing, disseminating or circulating, directly or indirectly, or aiding, abetting or encouraging the making, publishing, disseminating or circulating of, any oral or written statement which is false or maliciously critical of, or derogatory to the financial condition of an insurer, for the purpose of injuring any person or insurer engaged in the business of insurance;
- Refrain from entering into any agreement to commit or by any concerted action committing, any boycott, coercion or intimidation resulting in an unreasonable restraint or monopoly, in the business of insurance;
- Make no agreement or understanding with competitors to fix or control prices, to allocate products, markets or territories, to boycott certain customers or suppliers, or to refrain from or limit the sale of any product; and
- Avoid replacing existing life insurance contracts and annuity contracts without meeting the requirements of applicable federal and state law, or without providing information to the customer that he or she needs in order to ascertain whether replacement of existing contracts may be in his or her best interest.

Except as set forth on the previous page in order to meet the requirements of applicable state and federal law, Midland National will compete freely and actively in markets or market segmentation determined by its management to be appropriate and consistent with its marketing plans and goals, both financially and in the marketplace. A violation of the above guidelines by any agent will result in disciplinary action including, if appropriate, termination of the relationship with the Company.

## PRIVACY NOTICE

We are committed to protecting the confidentiality and security of your clients' personal non-public information. We want you to know how we collect, use and protect this important information.



## PRIVACY NOTICE (CONT.)

### Why We Need Personal Information From Clients

We need to collect personal non-public information in order to provide insurance products and services. We may also need information from your clients and others to verify identity in order to detect and prevent money laundering and terrorism.

### Personal Information We Collect

Personal information that we may collect includes name, address, age, social security number, financial and credit history, health, employment, hobbies and similar matters. We will maintain physical and electronic safeguards to protect that information.

### Examples of Sources We Use to Collect Personal Information

Most of the information we collect comes from your clients on the completed application. We may also obtain information from affiliated third parties which may include the Medical Information Bureau, paramedical examiners, agents, employers, other insurers, healthcare providers and consumer reporting agencies.

### How We Use and Disclose Your Client's Personal Information

We limit the collection and use of personal information to the extent required to administer and service your client's policy. We will not share personal information outside Sammons Financial Group for any purpose other than for the underwriting or administration of policies or for marketing additional Sammons Financial Group products, unless the disclosure has been authorized by a particular client or is permitted or required by law. Personal information may be disclosed to other entities that provide business services to us related to our transactions with your clients, such as reinsurers or third-party administrators, if any. Whenever we retain other organizations to provide support services on behalf of Sammons Financial Group, we will require them to protect personal information. We may disclose personal information if required by law, a government agency or court order.

### How We Protect Personal Information

We will protect all personal information and we will restrict access to personal information by maintaining physical, electronic and procedural safeguards. We will only allow access to persons who must use the information to provide insurance products and services.

### Updates To Our Privacy Policy

We will notify your clients in writing if we make any material changes in our Privacy Policy.

Above all, we value your clients' trust and confidence in our ability to manage and protect their important personal information.

If you or your clients have any questions or concerns regarding our Privacy Policy, we can be contacted in writing at the address listed below.

Please direct any questions about our Privacy Practices to:  
Meg Taylor

Vice President and Chief Compliance Officer  
800-800-3656 ext. 87712

#### FCC "Do Not Call" Telemarketing Rule

The Federal Communications Commission has implemented a "Do Not Call" Telemarketing Rule. As part of this rule, consumers, including contract holders, insureds and other parties may contact us (by telephone or in writing via regular letter, email or fax) and ask that their name be added to our "Do Not Call" list. In addition, agents may forward requests they have received from contract holders to us. We are required to honor these requests for a period of 10 years. We are also required to provide this information to our field force. The "Do Not Call" list will be placed on the agent extranet site. The listing will include names and telephone numbers and will be searchable by either. Agents must review this list before making solicitation calls. We, as a company, are not required to provide our specific internal "Do Not Call" procedures to the public. However, should we receive a request, we will provide written confirmation that a specific telephone number is on the company list and provide a summary description of our procedures.

## USA PATRIOT ACT

**“The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act” (USA PATRIOT Act)** was signed into law by President George W. Bush on October 26, 2001. This law, enacted in response to the terrorist attacks of September 11, 2001, strengthens the nation’s ability to combat terrorism and detect and prevent money-laundering activities. The Treasury has broad authority to interpret and enforce these anti-money laundering laws. Under the **USA PATRIOT ACT**, financial institutions, including life and annuity insurers and broker/dealers are required to establish or enhance anti-money laundering policies and procedures.

**Know Your Customer**—As a normal part of the application process for insurance products, agents and registered representatives collect personal and financial information about proposed insureds. Information collected includes:

- The name, address, telephone number, age and social security number of the contract owner and annuitant;
- The names and addresses of any beneficiaries to the contracts and their relationship to the contract owner; and
- Information regarding occupation, employer, financial status, tax status and financial objective for fixed and variable products.

Prior to accepting an application, the agent typically meets personally with the proposed owner and witnesses his or her signature. In addition, the agent is required to document how long he or she has known the applicant and the source of the referral. This information is gathered in order to determine the appropriateness of the recommended product and enables the agent to make a determination that the product purchased represents a transaction that is reasonable for the customer.

Some suspicious activities which indicate that a transaction may not reflect a legitimate purpose include:

- The purchase of a single lump-sum contract by a customer whose previous product experience is with smaller, regular payment products;
- Payment for contracts by a third-party check;
- A customer who shows no concern for the product performance, but much concern for the surrender or early cancellation of the contract;
- Payment by cash, when this type of business transaction would normally be handled by checks or other payment instructions;
- Lump-sum payments with foreign currency or foreign wire transfers;
- Purchases beyond the customer’s apparent means;
- Purchases where the source of funds is unclear;
- Borrowing from a single premium policy shortly after paying for the policy;
- Early cancellation of a single premium contract; and
- Payment by multiple bank checks. (Money orders and generic checks will not be accepted.)

If an agent suspects that a transaction does not represent a legitimate business purpose, they should contact:

**Meg Taylor, Vice President and Chief Compliance Officer at 800-800-3656 ext. 87712 or Tracy Michels, Assistant Vice President and Deputy Compliance Officer ext. 87648.**



## PROVIDE COMPETENT, CUSTOMER-FOCUSED APPROPRIATE SALES

Competent and customer-focused appropriate sales are based on an analysis of the customer's needs and financial objectives. You should carefully consider each customer's circumstance and future expectations when making product recommendations. You should also review all the proposed contract features with the customer, including values and benefits, premium structure, expenses, surrender charges and existing coverage.

Products change quickly in today's marketplace. Make sure you understand the benefits and features of the products you are recommending. Make clear and competent presentations to be sure your customer understands how the product you are recommending works and how it will address his or her needs and financial objectives. Please refer to Midland National's Product Guide (form number 8942Y) for additional "Points to Consider" to assist you in determining which products are appropriate for your client's needs.

Midland National encourages the use of needs analysis tools to assist you in determining your customer's needs and objectives. Such a tool is made available to our agents via our website. All our product brochures provide specific, current information.

Insurance product recommendations should be made only upon having reasonable information to determine that such recommendations are appropriate to meet the client's needs.

**Remember: Midland National annuity contracts are long-term products and are not to be represented or marketed on the basis of annuitization prior to the expiration of the surrender period.**

## SPECIAL NEEDS OF THE SENIOR MARKET

**Evaluating The Buyer: Mental or Cognitive Impairment** There are some important things to consider when dealing with the senior market. Although it is not a comprehensive list of senior market guidelines, the following does illustrate some points to consider when dealing with this market.

Although agents cannot be expected to "diagnose" mental or cognitive impairment, agents who work in the senior market should always be alert to issues regarding the competency of the client. Common sense tells you that it is unethical to sell complex insurance products to a person who is unable to understand them. It is also against the law in many, if not all, states. Various indicators can be used in determining whether the prospective insured may lack the short-term memory or judgment to knowingly purchase an insurance product. This can include, but is not limited to the following indicators:

- Another family member seems to be making all the decisions for the client;
- The person is unable to remember facts or locate information;
- The person forgets appointments or to return phone calls; and
- The person has been diagnosed with a form of dementia.

While an agent is not expected to be able to assess the cognitive function of a senior, many states expect agents to understand that any person of unsound mind is legally restricted from entering into an insurance contract.

## SPECIAL NEEDS / SENIOR MARKET (CONT.)

**Full Fact Finding and Documentation is Very Important:** Documentation and retention is key to proper compliance in any market, but is especially important in senior market sales. Appropriateness is extremely important and is often scrutinized in this market.

**Need to Err on Side of Being Conservative:** Seniors are conservative by nature. Whenever you have a doubt, it is always best to rely on less aggressive strategies and recommendations.

**“Buyer’s Remorse”:** Many people, including seniors, go through this phenomenon after making a major financial decision. Again, proper documentation, a conservative strategy and making sure that the client fully understands what they have purchased will help address this issue.

**Some Clients May Be Less Sophisticated Than They Appear:** Seniors may give the impression of being “market-savvy” because they might have owned several stocks/bonds or mutual funds in the past, but realistically have little or no market knowledge. Agents must not assume that seniors understand annuity concepts without proper instruction.

**Seniors Often Work Closely With Other Advisors:** Most seniors have other advisors, such as a CPA, a tax advisor, an attorney or even family members. These advisors may have different options and/or motives for the senior client.

**Mortgage and Refinancing with Seniors:** Encouraging or directing a client with substantial equity in a home to take out a mortgage and use the money to buy a fixed or variable annuity is not acceptable to Midland National.

**Broad Protection of Elder Abuse Laws:** Elder abuse legislation has been adopted in most states. Midland National agents are expected to be familiar with the applicable laws of their states and to be in compliance with them.

**Beneficiaries Sometimes Have Different Objectives Than the Contract Holder:** A senior client’s beneficiary may have a different financial objective and opinion than the senior did at the time of sale. Again, documentation is the key to keeping a record of the client’s objectives and intentions at the time of the annuity purchase.

The above are just a few points to consider when dealing with the senior market. Please consult your elder law attorney for questions or clarifications.

## FINANCIAL PLANNING

Terms such as “financial planner”, “investment advisor” and “financial consultant” may not be used to imply that an agent is involved in an advisory business in which compensation is fee-based. Some states require special licensing as an investment advisor for those providing financial planning services. A majority of states require such licensing if a separate fee is charged for such services. The best method of avoiding problems is to be certain that the client understands that you are acting as a life/annuity insurance agent.

State insurance solicitation regulations require that you inform the prospective purchaser, prior to the sales presentation, that you are an insurance agent and identify your full name.

You should encourage your clients to consult with other professionals on matters that you are not qualified and/or licensed to discuss (e.g. those pertaining to legal or tax issues). Please note that neither Midland National, nor any agents acting on its behalf, should be viewed as providing legal, tax or investment advice. Therefore, you must remind your clients to consult a qualified advisor. Additionally, Midland National will not be responsible for any tax consequences that may arise or result from any transaction.



## WILLS, TRUSTS & MEDICAID PLANNING

Use caution when using or offering living trusts as a financial planning tool. While we believe that in the appropriate circumstances, a living trust can be a valuable planning mechanism, mass distribution of this concept is not appropriate.

Litigation has been initiated against marketers of living trusts, insurance companies and agents where the living trust concept was marketed on a mass basis in connection with the sale of financial products such as annuities. Additionally, states are beginning to prosecute organizations that they perceive to be “Trust Mills.” In order to help ensure that you are not associated with any such organization, Midland National reserves the right to require additional documentation for annuity applications/contracts involving recently formed trusts. Furthermore, Midland National reserves the right to deny any application and to rescind any policy if it determines that the use of a trust in conjunction with that application/contract is inconsistent with its policies.

Midland National does not provide tax or legal advice and we strongly encourage clients to consult their tax and/or legal advisor prior to establishing a living trust or purchasing any Midland National product in connection with a living trust. If a living trust is established as the owner of a Midland National contract, we require that the grantor of that living trust be the named annuitant for the contract. In such situations, the provisions of the contract being purchased should be discussed with the trustee in detail so that the trustee can ensure that those provisions are consistent with the terms and objective(s) of the living trust.

Our agents should not serve in any other capacity that may be construed as creating a conflict of interest (e.g. Power of Attorney), nor should they serve in the capacity of trustee (or successor trustee) of a trust that is established as the owner of, or other party to, a Midland National contract. Additionally, agents may not use their family members, business associates or any other party to accomplish what they themselves are otherwise prohibited from doing in this regard.

Annuities offered by Midland National are not designed for use in “Medicaid-friendly” programs and should not be represented as such. Our agents should not represent our annuity contracts as being a tool for protecting a client’s assets with regard to any aspect of Medicaid. Our agents also must not induce, or attempt to induce, a sale by representing our annuity contracts as financial vehicles that allow an individual to protect accumulated assets while at the same time qualifying for Medicaid benefits to cover the cost of long-term care in a nursing home or similar facility.

## ADVERTISING GUIDELINES

The compliance Department offers enhanced, streamlined procedures for submitting your advertising for review and approval. Take advantage of this by e-mailing your advertisement to **[compliance@mnlife.com](mailto:compliance@mnlife.com)** or faxing it to **312-648-7780**. These new methods will expedite the review and approval process.

## ADVERTISING GUIDELINES (CONT.)

Advertising would include any material, written or electronic, that is designed for distribution to the general public, agents or prospective agents, including but not limited to:

- Print, Radio, TV and any form of Media Advertising (newspaper, magazine, TV, Radio, etc.).
- Product brochures, circulars, pamphlets and published articles.
- Sales presentations, prepared sales talks, seminar/symposium presentations and handouts, telemarketing scripts and materials.
- Newsletters, Research Reports and Performance Reports or summaries.
- Prospecting, target market and form letters.
- Business cards and letterhead.
- Agent recruiting material.
- Sales illustrations.
- Third Party software.
- Materials used to recruit other agents.
- Phonebook and Yellow Pages listings
- Internet and Internet websites or home pages and any form of e-commerce.

If you are uncertain whether or not something falls within the definition of “advertising,” please contact the Compliance Department for guidance. Without exception, all consumer advertising mentioning Midland National, North American Company, or referencing any of our products and services must be approved by Compliance prior to use. This includes products referenced by name, description, rates or features. This also includes generic ads that do not specifically reference Midland National, North American or our products by name, feature, or description, if they are being used to solicit sales, or secure appointments with clients in order to solicit sales, of any Midland National or North American product. Advertisements or mailers that invite consumers to attend a seminar must be submitted to the Compliance Department for review, along with the content, presentation materials (PowerPoint files, slides, overheads, etc), and any handouts that will be distributed to consumers prior to offering these seminars to the public, if the ultimate goal is to promote Midland National or secure appointments in order to solicit sales of Midland National products.

Compliance will make every effort to provide you with initial comments within five business days of receipt of your advertising piece for review. However, depending on the complexity of the piece, additional review time may be required. To help ensure your materials are reviewed expeditiously, guidelines have been developed and distributed which should be taken into consideration. These guidelines contain information on a variety of advertising issues as well as special guidelines pertaining to internet advertising. Additional copies of the “Agent Advertising Checklist” may be obtained through the Des Moines Agent Website or by emailing a request to **compliance@mnlife.com**. For additional questions, please contact Jane Brown at ext. 27860 or Terri Silvius at ext. 27858.

Periodically new issues arise pertaining to advertising. At those times special bulletins are released to the field to advise them of changes and possible necessary revisions to advertising pieces. Such is currently the case with advertising relating to mortgage based sales practices for life/annuity products. Due to increased federal and state regulatory concerns such advertising and sales a bulletin has been distributed. Additional copies of that bulletin may also be obtained by emailing a request to [compliance@mnlife.com](mailto:compliance@mnlife.com).



## RECORD RETENTION

It is important to maintain, and make available upon request to Midland National or the insurance department/division of your state, a record of client information collected, whether or not the elected to purchase a policy. Certain documents should always be maintained. These include:

- Original sales proposals;
- A copy of any needs analysis completed during the solicitation. Midland National makes a fact finding form available for use by its agents through its web site;
- A copy of any sales material and advertisements used during the sales process;
- Any written correspondence to or from the contract owner regarding the solicitation, issuance of the contract, or subsequent service of the contract;
- Documentation of phone calls to or from the contract owner addressing the above issues;
- Notes from meetings with the contract owner; and
- A copy of the contract holder's signed delivery receipt.

State regulations vary regarding the length of time that client files are to be maintained. However, a general rule of thumb is to maintain all active client files indefinitely and all inactive files for seven years.

In situations where a client is not willing to fully discuss his/her financial information, Midland National strongly suggests that you obtain a signed and dated statement from the client attesting to the fact and indicating that the client elected to proceed without providing full disclosure. The statement should be submitted to Midland National and a copy should be maintained in your records.

## COMPLAINT HANDLING

Consumer complaints generally fall into two categories:

- Regulatory Complaints, meaning those that are forwarded directly from a state or federal agency to Midland National or to you as the agent; and
- Consumer Complaints, meaning those that are submitted directly to you or to Midland National for response.

When you receive a complaint directly, Midland National requires that you immediately forward it to Midland National Annuity Division Consumer Affairs, 4601 Westtown Parkway, Ste. 300, West Des Moines, Iowa, 50266.

It is possible that a consumer complaint may be a combination of the categories described above. If Midland National receives a complaint regarding a contract written by you, you will be contacted for your written response. Your written response must address all allegations made in the complaint. You will need to include copies of any documentation available to support your position. You will also be required to submit your written response within the specified number of days. Because many state insurance departments impose a deadline for the Company's response, the receipt of your written response in a timely manner is essential. In an effort to keep the investigative process neutral, Consumer Affairs staff is not permitted to assist in formulating an agent's substantive response.

It is inappropriate and unacceptable for any Midland National agent to initiate any discussion of a settlement of any complaint or related matter. While your input may be solicited, Midland National retains the absolute and unilateral right to settle and resolve all complaints and related matters in its sole discretion, raised or asserted by any person or organization, concerning the actions or omissions of its agents.

Midland National is committed to fair and ethical treatment of all clients. Accordingly, all consumer complaints are taken seriously and thoroughly investigated. Please note that results can be serious, including state penalties, lawsuits, contract rescissions, commission reversal, termination of an agent's or agency's contract, or a combination of one or more of these consequences. Questions relating to complaints should be directed to the Annuity Division Consumer Affairs Department.

## APPLICATION GUIDELINES

The application is a part of the insurance contract; therefore it should be filled out completely and accurately. If the answers on the application are incorrect, incomplete, or untrue, Midland National may have the right to deny an application or rescind a contract.

Premium payments, other than the first, are to be remitted directly to the Company by the contract owner. Our corporate guidelines do not support submission of agency checks or personal checks from agents for premium payment on a contract that insures someone other than a direct family member of the agent. These guidelines are enforced to guard against comingling of funds and potential complaint/legal situations.

If an error is made on the application, do not use white-out material to correct it. Place a line through the mistake and have the applicant initial above the strike out.

You should ensure that your clients understand that, by signing the application, they are attesting that the information provided therein is accurate and complete. You must never ask your client to sign a blank or incomplete application or other document. Doing so may result in disciplinary action up to and including termination of your agent/agency contract. Midland National may also be required to report such conduct to insurance regulators.



## APPLICATION GUIDELINES (CONT.)

Although the following list is not exhaustive, current company practice does not allow an agent/registered representative to be named as, or to act as, the following:

- a beneficiary or contingent beneficiary;

- a trustee or successor trustee for a contract holder's trust; and
- an attorney-in-fact or successor attorney-in-fact for a contract owner.

The exception to this exists when the agent is "immediate family" of a contract owner, defined as spouse, child, step-child, mother, father, grandparent, brother or sister. It is equally unacceptable to use an agency or agent's home address as the owner's address of record if the contract owner does not reside at the address. Additionally, agents may not use their family members, business associates or any other party to accomplish what they themselves are otherwise prohibited from doing in this regard. An agent must scrupulously avoid real or apparent conflicts of interest involving clients to whom Midland National products are sold. An agent should avoid benefiting from the sale of a Midland National product beyond earning the commissions due for an appropriate sale.

The application is to be submitted to Midland National exactly as completed at the point of sale. The applicant and agent must initial modifications to the application or other sales materials prior to signing them. Any modification made to the application, replacement form, authorization to transfer funds form, checks, or other material at or after the point of sale without the knowledge and approval of the applicant may be illegal, and could result in civil or criminal liability. Further, you must not sign or initial any document on a client's behalf, even if the client has authorized you to provide his or her signature or initials.

Your signature on the application is your personal assurance that the information supplied therein is, to the best of your knowledge, given voluntarily by an eligible applicant in a complete and accurate manner. Only the licensed agent who solicited the business at the time of sale sign the application. The signing of the application by any other agent is prohibited.

Finally, remember that it is your responsibility to protect the privacy and confidentiality of the information obtained during the application process. Personal information intended to be transmitted to Midland National should be maintained in the utmost confidence.

## REPLACEMENTS & OTHER INSTRUCTIONS

Replacements have been and continue to be one of the most heavily regulated and monitored transactions. Depending upon the circumstances, a replacement may or may not be in the best interest of your client. As with any transaction, you have a responsibility to ensure that your client has all of the necessary facts in order to determine whether the replacement will be in his or her best interest.

Although our list is not exhaustive, some factors to consider in order to help determine whether a replacement may be in your client's best interest include:

- Whether the benefit amount can be increased for the same or similar premium;
- Whether the premium payment period is shorter for the same or similar premium; and
- Whether the client can purchase or obtain a greater benefit for the same premium.

## REPLACEMENTS & OTHER INSTRUCTIONS (CONT.)

Comparisons between a client's existing product and a proposed product must accurately and fairly describe the products' provisions and values. You should discuss the advantages and disadvantages of any potential replacement with your client. Along with any other relevant issues, you must remember to address:

- Any required evidence of insurability;
- Any contestability and/or suicide provisions of the existing and proposed contracts;
- Any applicable loan provisions and loan interest rates of both contracts;
- Any surrender charges, expenses and/or fees associated with both contracts;
- The premium requirements of the proposed contract;
- The present and future (if permissible) values of both contracts;
- The current interest rates and any mortality charges of both contracts; and
- The potential tax treatment of the replacement, such as whether the replacement may qualify as a Section 1035 Exchange.

The definition of "replacement" goes beyond the surrender of one contract and subsequent purchase of another contract. As an agent, you should be aware of all of the transactions that are considered to be replacements. For example, a replacement may occur when a contract has been or is to be:

- Lapsed, forfeited, surrendered, or otherwise terminated;
- Reduced in value through a withdrawal or partial surrender;
- Reissued with a reduction in cash value;
- Pledged as collateral or subjected to borrowing where the aggregate loan exceeds a state-specified percentage of the loan value of the existing contract; or
- Amended by reducing or eliminating ancillary benefits, such as waiver-of-premium or accidental-death benefits.

**A Replacement Can Be Internal or External.** An internal replacement occurs when an existing contract is exchanged for a new contract with the same insurer. An external replacement occurs when a contract is replaced by one of another insurer. Only you and your client can decide if a replacement is suitable. Additionally, you must always ensure that the appropriate replacement disclosure forms are completed and submitted.

**Monitoring of Replacement Activity.** Midland National recognizes that replacement activity varies by product type. Regardless, Midland National monitors replacement activity on an ongoing basis. Should the replacement activity for an agent or agency present a concern, the Annuity Division Consumer Affairs Department or a designee will investigate the matter further and discuss the issue with the agent and/or agency.

**Other Transactions.** Even though a particular sale of a Midland National product may not involve a replacement, you remain responsible for working with the client to ensure that the client has all of the necessary information in order for him or her to determine that the particular transaction is in his or her best interest. Many of the factors set forth above with regard to replacements are applicable here, but you should also remember to address the following to the extent possible:

- The client's age and health;
- The client's current and expected future liquidity needs;
- The client's current and expected future financial situation;
- The client's current and future financial goals; and
- The client's desire to pass funds to beneficiaries.

Remember, regardless of the type of transaction, you are responsible for reviewing the provisions of the products, including those pertaining to surrender charges.

**Please note: Replacing Midland National contracts is prohibited by our Agent Contract. Violating this provision is grounds for termination of your contract. You also forfeit the right to service Midland National contract owners.**



## CONTRACT DELIVERY

An issued contract should be delivered to the owner within 15 days from the date on which Midland National mails it to you. Contracts should never be maintained in your files. When required by the Home Office and/or applicable law, you will be responsible for obtaining a completed delivery receipt from the client and returning it to the Home Office. We strongly urge you to personally deliver all contracts to your clients. Additionally, you should be aware of all outstanding delivery requirements and assist your clients in completing the necessary documents. Failure to return all delivery requirements to Midland National may jeopardize an agent's commission.

## LICENSING AND CONTRACTING

Midland National follows all state licensing regulations regarding agent licensing and appointments. Your appointment to sell insurance with Midland requires that you abide by all of the laws, rules, and regulations of any state in which you are licensed to conduct business. Furthermore, it is your obligation to ensure that you keep up to date regarding all changes to any laws, rules and regulations governing your activities as an agent. You must also comply with all Company policies and procedures.

You may contact our Licensing and Commissions Department at 877-586-0242. Please note that some states prohibit taking applications prior to appointment.

## ERRORS AND OMISSIONS COVERAGE

Midland National requires all of its agents to obtain Errors and Omissions insurance coverage. In the event that a claim is presented against you, your Errors and Omissions carrier should be notified within 24 hours of your receipt of the information. You are responsible for making this notification.

## CONTINUING EDUCATION

Midland National believes that continuing education about products, industry, and regulatory issues is critical to being able to provide competent, customer-focused appropriate sales and service. A variety of resources are available for obtaining this information, including the company, professional trade groups, and independent third party vendors. Specific information regarding the resources that are available can be obtained by calling the Sales Support Department at 877-586-0241.

You are responsible for ensuring that you meet all continuing education requirements associated with your insurance and other licenses.

## QUESTIONS AND CONCERNS

For questions and concerns regarding market conduct, ethical sales practices, compliance with laws and regulations, or the IMSA Principles and Code, please contact:

**Meg Taylor, Vice President and Chief Compliance Officer: 312-648-7712 or Tracy Michels, Assistant Vice President and Deputy Compliance Officer: 312-648-7648**

For questions and concerns regarding annuity consumer complaints, please contact:

**Chris Helton, Annuity Division Consumer Affairs Department: 877-586-0240, ext. 35515**

For assistance from the Sales Support Department, please contact: **877-586-0241.**

## NOTES:

FOR AGENT USE ONLY. NOT INTENDED FOR  
CONSUMER SOLICITATION PURPOSES.



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