

SONS OF NORWAY

FINANCIAL BENEFITS COUNSELOR

ANNUITY SUITABILITY GUIDE

The process and procedures set forth in this guide relate to the suitability of applications submitted directly to Sons of Norway, and to regulations and requirements regarding the FBC's collection and analysis of pertinent related information.

Sons of Norway Position on Suitability

Sons of Norway is committed to providing members with insurance products that suit their financial needs and objectives. In furtherance of that commitment, Sons of Norway has implemented policies and procedures complying with state and federal laws and regulations. To enable compliance with the above, Sons of Norway requires all Financial Benefits Counselors to implement sales practices that ensure there are reasonable grounds for each and every recommendation of a Sons of Norway insurance product.

Sons of Norway Responsibilities

Sons of Norway is responsible for maintaining its product suitability policy and related compliance with the policy. Accordingly, Sons of Norway will not issue an insurance product recommended by an FBC unless there is a reasonable basis to believe that the product is suitable based on the applicant's circumstances. Consequently, Sons of Norway will assess the suitability of each application based on the information submitted with the application and any other information Sons of Norway believes is necessary to complete a thorough assessment.

In addition, Sons of Norway will:

- Establish internal guidelines or minimum criteria for the issuance of a contract;
- Audit a sample of applications submitted on a monthly basis for suitability;
- Provide updates and periodic information about compliance and suitability regulations;
- Maintain records of each sale demonstrating the FBC's compliance with suitability procedures;
- Not complete processing of an application unless it is accompanied by a complete and accurate Annuity Suitability Acknowledgement Form; and
- Take corrective action against the FBC should business practices be inconsistent with that of the Sons of Norway Suitability guidelines;

Financial Benefits Counselor Responsibilities

Insurance product suitability starts with you, the Financial Benefits Counselor. The FBC has an obligation, first and foremost, to know their customer. The FBC is responsible for having reasonable grounds for believing that each recommendation of a Sons of Norway product is suitable for that customer.

To do so, the FBC must:

- Make all reasonable efforts to obtain the applicant's suitability information.
- Have adequate knowledge of the recommended Sons of Norway product.
- Understand and comply with state and federal laws and regulations governing producers and suitability.
- Assess the suitability information provided and apply it to the various product features to make a reasoned determination of suitability.
- Prepare a memo documenting the rationale for said determination and retain all information regarding suitability for future reference.
- Inform the applicant of said determination.

- Cooperate with Sons of Norway's efforts to supervise the suitability of the FBC recommendation, including providing all required documentation and follow-up documentation, upon request.

Determining Suitability

What is suitability? Suitability is the purchase of an insurance product for the right reasons, with full consideration and understanding of the features of the contract and any restrictions on the benefits. Suitability requires the professional analysis and judgment of the FBC based on the customer's circumstances. It also requires the FBC to adequately inform the customer of the product features and limitations so that they may make an informed decision.

The following questions may assist the FBC in determining if the product purchase or exchange is suitable to the customer:

- What is the customer's main financial objective or concern with his or her financial position?
- What is the time horizon for the investment?
- Why isn't the customer's current financial plan meeting his or her insurance needs and financial objectives?
- How will this purchase help the consumer meet his or her insurance needs and financial objectives?
- Does the recommendation involve a replacement? If so, does the customer have a complete understanding of any charges or penalties associated with the replacement?
- If the consumer were a close friend or relative with like insurance needs and objectives, would the FBC agree that the recommendation is suitable?

Annuity Suitability Acknowledgement Form

Sons of Norway has created an Annuity Suitability Acknowledgement Form to facilitate the producer's collection of pertinent information. Under no circumstances is the information gathered in this form considered a conclusive analysis of a recommended product's suitability. Should additional information become available or made known to the FBC, all information must be analyzed to determine the suitability of the recommended product.

Guidelines for this form:

- The form must be completed in its entirety and accompany every annuity application that is submitted for consideration.
- After approval of the applied for annuity, at least 10% of the applicant's net worth must remain liquid.
- Without additional/supplemental authorization, Sons of Norway will hold no more than 60% of any annuitant's total net worth.
- In situations where the annuitant is 75 years of age or older, a witness must be present when the application is signed, and will also be required to sign off on the Annuity Suitability Acknowledgement Form. This witness must be someone other than the FBC, or someone whom the FBC employs.

- The FBC shall assess the suitability information provided and apply it to the various product features to make a reasoned determination of suitability.
- The FBC shall be responsible for obtaining a new or corrected acknowledgement for if the one that originally accompanied the application was incomplete or otherwise inaccurate. A new or corrected form must be received by underwriting prior to the annuity being approved.
- Sons of Norway will include a completed copy of the Annuity Suitability Acknowledgement Form along with all issued annuity certificates.

Illustration Requirements

Signed product illustrations are required by Sons of Norway. A signed illustration **MUST** be included with every annuity application.

- Commissions will not be paid until a signed illustration is received at the Sons of Norway headquarters.
- If money to fund the annuity is coming from a third party, a new illustration (beyond the one that arrived with the application) **MAY** need to be generated and signed before commissions are paid.

Replacement, Rollover and Transfer Policy

When an annuity application includes a Replacement, Rollover or Transfer, required Replacement Forms, 1035 Exchange Forms, Qualified Retirement Account Transfer/Direct Rollover Forms and IRA Rollover Certification/Indirect Rollover (as each specifically applies), must be received at the Sons of Norway Headquarters before the Certificate is approved.

Prior to recommending that money from a product from another financial institution be moved into a Sons of Norway product, the FBC must seek answers to the following when applicable:

- Is there a surrender charge and/or tax consequence associated with the transaction? If so, how do the benefits of the transaction justify the consequences?
- What are the existing product features or benefits not included in the new product?
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- Is there an outstanding loan on the existing policy? If so, how will the loan be repaid prior to the transaction?
- Is the applicant taking interest income, RMDs, or other distributions from the existing account/product? If so, how will this be addressed in the policy?
- Does the applicant currently have full access to their money without penalty in their existing account/product? If so, are the provisions of the new product adequate relative to the applicant's needs?
- Has the applicant been made fully aware of the comparison results gathered by the above in the suitability review?

Sons of Norway reserves the right to withhold commissions until all amendments and application changes have been agreed to by the applicant.

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