

PRODUCER CONTRACT APPLICATION AND AGREEMENT

Agent Number _____

(Home Office Use Only)

All Questions Must Be Completed.

Full Name _____ Sex: Male Female
 (First Name) (Middle Name) (Last Name)

Business Name _____

Contract Type: Individual Corporation Other _____

Check box for desired mailing address
 Resident Address _____
 (Street, City, State, County, ZIP Code)
 Business Address _____
 (Street, City, State, County, ZIP Code)

Resident Phone (____) _____ Business Phone (____) _____ Fax (____) _____

E-Mail Address _____ License # _____ (attach Photocopy)

Date of Birth _____ Social Security # _____ or Taxpayer ID # _____

PLEASE RESPOND TO ALL QUESTIONS FOR YOU PERSONALLY AND ANY ORGANIZATION OVER WHICH YOU HAVE EXERCISED CONTROL. IF YOU ANSWER "YES" TO ANY QUESTIONS, YOU MUST ATTACH AN EXPLANATION WITH ALL RELEVANT INFORMATION AND SUPPORTING DOCUMENTS.

- Yes No Have you ever had your insurance license or securities license suspended or revoked or have you ever had an application for an insurance license denied by any insurance department?
- Yes No Have you ever had a complaint filed against you with an insurance department, NASD or other regulatory agency, or do you anticipate one being filed?
- Yes No Has any claim ever been made against you, your surety company, or errors and omissions insurer arising out of insurance sales or practices or have you been refused surety bonding?
- Yes No Has your contract or appointment ever been terminated involuntarily by an insurer?
- Yes No Are you at the present involved in any litigation or are there any unsatisfied judgments or liens (including state or federal tax liens) against you?
- Yes No Do you currently have a pending bankruptcy or have you ever declared bankruptcy?
- Yes No Have you pled guilty or nolo contendere to or been found guilty of a felony or a crime including but not limited to crimes involving dishonesty, breach of trust, or a violation of any federal law or are you now under indictment?
- Yes No Does any insurer, insured, or other person claim any indebtedness from you as a result of any insurance transactions or business?
- Yes No Are you currently licensed in your resident state? If yes, please attach a copy of your resident license.
- Yes No Are you currently licensed as a non-resident in any state? If yes and you would like to be appointed in that state, attach a copy of that license, and appointment fees.
- Yes No I certify that I have received, understand and will conform with the procedures outlined in the brochures Partnering with You on Compliance Matters.
- Yes No Do you have Errors & Omissions coverage? (Required by North American Company)

PLEASE PROVIDE COPY OF DECLARATION PAGE.

Please indicate other companies with which you are currently licensed: _____

Do you have a NASD license? Yes No If yes, who is your Broker-Dealer? _____

What products do you sell? Life Variable LTC Group Disability Senior Small Business 403(b)

Annual Earnings: _____



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CONDITIONS AND AGREEMENTS—By signing this application, I hereby acknowledge I have read a specimen copy of the proposed Contract and all applicable supplements and addendums thereto to be entered into between myself and North American Company for Life and Health Insurance (North American). If this application is approved by North American, I agree to be bound by all of the terms and conditions of such contract, supplements and addendums, the terms of which are incorporated into this application by reference. I agree not to solicit business until I have been notified by North American that I am authorized to do so either by mail or North American’s Solicitation Guidelines.

Any marketing materials which have not been provided by North American must be approved by North American prior to their use. I understand that any specimen sales brochures and material I have received are provided only for my personal examination of product provisions and rates.

I understand that the Fair Credit Reporting Act requires North American to notify me that, as a routine part of processing my contract application, a consumer report may be obtained which may include information bearing on my credit worthiness, credit standing, credit capacity, character, general reputation, personal characteristics or mode of living. I authorize North American or any of its affiliates¹ to obtain a consumer report and Vector One report in connection with this application. I further authorize North American or any of its affiliates or their duly authorized representative to contact any organization or individual who has knowledge of my employment history, credit history, financial status, or record of any illegal activity in order to obtain a record of such history, status or activities; and I hereby authorize the release of such information by such organization or individual about any debit balance I may incur to Vector One, its successors, or any organization designated to replace Vector One. I understand that by providing the fax/mail information above, I hereby consent to receive communications sent by or on behalf of Sammons Financial Group.

¹Affiliate means any company owned, directly or indirectly, by Sammons Financial Group, Inc.

I hereby certify that all information and answers given by me on this application are true, and correct without any consequential omissions of any kind.

Signature _____ Date _____

Distributor:/Producer

Printed Name: _____ Agent Number _____

By: _____
(Authorized Signature)

North American Company for Life and Health Insurance Approval:

By: _____
(Authorized Signature)

Title: _____

Effective Date of Agreement: _____

The North American Companies endorse and support the concepts in the Principles and Code of Ethical Market Conduct established by the Insurance Marketplace Standards Association (IMSA).

Unkefer & Associates, Inc. & NAPA - Fax Contracts To: (623) 463-2336

Return pages 1 and 2 for approval by North American. North American will return an executed copy to you upon approval.

Retain pages 3 through 8 for your records.



NORTH AMERICAN COMPANY FOR LIFE & HEALTH INSURANCE'S PRODUCER'S CONTRACT

1. RELATIONSHIPS

The ATTACHED CONTRACT is made by and between North American Company For Life and Health Insurance ("NACOLAH", "Company", "we", "us", or "its"), the undersigned Producer ("Producer", "you", "your"), and the undersigned Distributor. The Producer shall act in good faith when dealing with NACOLAH's policyholders and acknowledges that all policies and the information contained therein are the property of NACOLAH. The Producer is an independent contractor for NACOLAH and not an employee of NACOLAH. Nothing in this contract shall be construed to make you an employee of NACOLAH. You shall be free to exercise your own judgment as to the persons from whom you will solicit applications and as to the time and place of solicitation, subject to the Company's rules and regulations. You may represent other insurance companies while this Contract is in force, provided, however, that while doing so you may not hold yourself out in any manner as acting on behalf of the Company. You agree that your compensation is determined by the terms of this Contract or addendums to the contract. You are not eligible to participate in any employee benefit programs, including but not limited to, any employee welfare or pension benefit plan for employees of the Company.

2. AUTHORITY

a) The Producer agrees to:

- 1) procure applications for policies underwritten by NACOLAH and, if applicable, recommend qualified Producers for NACOLAH appointment in your hierarchy,
- 2) promptly forward all applications and initial premiums to NACOLAH,
- 3) take all reasonable steps to ensure that all policies issued by NACOLAH are delivered to the policyholder within 30 days in accordance with NACOLAH's underwriting guidelines and published rules and procedures; in the event policy delivery is not possible then you must return the policies immediately to NACOLAH's home office,
- 4) make reasonable efforts to maintain NACOLAH's policies and provide reasonable assistance to NACOLAH's policyholders,
- 5) operate in compliance with all applicable laws and regulations,
- 6) supervise and be responsible for keeping your producers of NACOLAH's published rules, guidelines, procedures, and practices provided by your Distributor or published by NACOLAH,
- 7) exercise reasonable due diligence for the faithful performance, fidelity and honesty of your employees and Producers and maintain responsibility for all funds collected and business done by or entrusted to you and your employees,
- 8) promptly report to NACOLAH, in writing, any known or alleged misappropriation of funds by any Producer or employee regardless of whether such known or alleged misappropriation is with respect to funds of NACOLAH or funds of any other person or company,
- 9) fully cooperate with NACOLAH in any investigation or proceeding of any federal, state or other regulatory or governmental body, or court, if it is determined by NACOLAH that the investigation or proceeding affects matters covered by or arising out of this Contract,
- 10) immediately notify NACOLAH if served with any legal document received by you through any medium or if you have knowledge of any legal or administrative action,
- 11) maintain any and all state insurance licenses and be in good standing with all applicable state and regulatory authorities.
- 12) keep full and accurate records of the business transacted by you under this Contract and forward records to the Company as we may prescribe,
- 13) notify the Company in writing of the Producer Commission Schedule that will govern the compensation to be received by them, and
- 14) have and maintain reasonable and effective policies and procedures for the detection and prevention of illegal activity, including anti-money laundering and anti-terrorism financing procedures and controls.

b) The Producer may:

1. solicit, personally and through other Producers, applications for NACOLAH insurance policies, and annuities as described in the Schedule of Commissions, and
2. collect the full initial premium for the NACOLAH policies, subject to the restrictions listed on the Company's Temporary Insurance Agreement or Conditional receipt. Checks, money orders, or other forms of payment from policy owners and applicants shall be made payable to the order of the Company and shall not be commingled with your funds. You are not authorized to collect other premiums.

3. LIMITATION OF AUTHORITY

The Producer may not:

- a) make, alter or discharge any NACOLAH policy, contract, Temporary Insurance Agreement or other NACOLAH agreement,
- b) pay any premium personally or rebate premium to any policyholder,
- c) waive or modify any terms of any NACOLAH policy or contract, including rates or conditions of limitation,
- d) execute any documents on behalf of a proposed NACOLAH insured or policyholder,



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- e) approve evidence of insurability,
- f) bind or commit NACOLAH to any policy, contract, risk or otherwise, except to NACOLAH's Temporary Insurance Agreement,
- g) deliver to a NACOLAH applicant any policy where the health of the applicant at the time of the delivery is other than as stated in NACOLAH's application for insurance,
- h) receive any premiums after the initial premium,
- i) extend time for any premium payment or reinstate any lapsed policy,
- j) approve, imply approval, adjust or settle any claim,
- k) retain any issued NACOLAH policy beyond thirty (30) days of issue,
- l) enter into any legal proceedings pertaining to NACOLAH or obligate NACOLAH for any expenses with respect to such proceedings,
- m) use or cause to be used any letters, advertising of any character or medium, or promotion of any kind, descriptive of products, services, procedures, or other information about the Company unless first approved, in writing, by the Company. You shall not use the Company's name or logo without Company prior written approval. The Company shall provide you with printed materials that relate to the Company and its products on the Company website, illustration software, or material in any other medium and you may distribute such materials at your expense.
- n) exercise any authority on behalf of NACOLAH other than as authorized by Section 2 of this Contract,
- o) waive any outstanding debts of you or your Producers,
- p) incur any expenses not authorized by the Company, and
- q) act as Trustee or Fiduciary on behalf of an applicant, insured or policyowner of insurance with the Company.

4. NACOLAH'S RIGHTS

NACOLAH at any time may:

- a) discontinue any policy form in any state,
- b) change any policy form or premium rate,
- c) determine maximum or minimum policy limits,
- d) change the conditions under which any policy may be offered,
- e) change, delete or add any NACOLAH procedure, guideline or practices,
- f) cease doing business in any state,
- g) unilaterally amend the payment of commissions, bonuses, and benefits under this Contract as to amount, conditions, and vesting of payment that shall include all Supplements to this Contract and the Company's procedures, guidelines or practices. These amendments will be effective upon mailing of such notice addressed to you at Your last known address and will be prospective in effect.
- h) determine whether to accept any applications and determine underwriting standards,
- i) recapture from the producer vendor expenses for underwriting requirements when applications for life insurance are not received and when inappropriate underwriting requirements are ordered by the producer.
- j) terminate any producer for any reason with appropriate notice,
- k) choose not to contract or appoint any producer recommended by you for any reason,
- l) reject applications for insurance submitted by you or your Producers without specifying the cause,
- m) examine your records of the business transacted by you or your Producers under this Contract at any time prior to and/or after termination of this Contract and to make copies of such records as we may deem necessary, and
- n) appoint as Producers those persons recruited by you who are deemed acceptable by the Company.

5. COMPENSATION

The Producer agrees that:

- a) the compensation from NACOLAH as specified in this Contract, applicable supplements, Schedule of Commissions and Addendums is your sole compensation for all matters covered under this Contract,
- b) commissions will be paid at the commission rate in effect at the time a NACOLAH application is submitted to us according to the "Schedule of Commissions" and payment method as determined by the Company,
- c) the Company will pay your override commissions on first year and renewal premiums where applicable on policies written by your Producers and received by the Company while this Producer contract is in effect,
- d) the Company may adjust each of your Producer's commissions in accordance with the provisions of that Producer's contract. Your percentage of commissions may increase or decrease as a result of such adjustment,
- e) the Company may charge back commissions including overrides to you in the event of rescission or cancellation, if commissions were paid in error, or if there are unearned commissions, which include but are not limited to the following: if the policy was not taken for any reason, or when there is a change in billing mode, or the policy was surrendered or lapsed in the first year, for any reason, and



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- f) commissions and/or overrides are not earned on premiums being waived under any non-forfeiture or Waiver of Premium provision of any NACOLAH policy, including retroactively waived premium.

6. VESTING

The Producer agrees that:

- a) except as provided herein, all first year and renewal commissions will vest immediately, according to the contract held by your Distributor or your Producer,
- b) vesting, if any, applies only to business remaining in force after termination of this Contract,
- c) if you are terminated for cause, all commissions no longer vest,
- d) if, after termination other than by cause, commissions are less than \$600 in any calendar year, NACOLAH shall have the option of paying you the "present value" of those commissions and no further commissions shall be due to you under this Contract. "Present Value" as used here means the value of such commissions determined by NACOLAH on the basis of accepted actuarial practices,
- e) if you are appointed as a sole proprietorship and this Agreement is terminated by your death or physical disability at a time when commissions are payable to you,
 - i) the Company will continue to pay, for the vesting period specified in this section, such commissions to your legal surviving spouse during his or her life, and,
 - ii) thereafter to such persons as your spouse may appoint by will or, in default of appointment, to your spouse's legal representative, and
- f) if this Agreement is terminated by your mental disability or if you die leaving no legal surviving spouse, such commissions will be payable to your legal representative.

7. INDEBTEDNESS

- a) You shall repay the Company for any indebtedness arising from the marketing activities or transactions from you or your Producers or from the payment of any unearned commissions or bonuses if applicable to you. Any indebtedness owed by you or your Producers to the Company is a legal debt. The Company is hereby given a first lien upon any amounts due you, your estate, successors, or assignments under this or any other agreement with the Company or its affiliates as security for payment of any indebtedness owed to the Company by you. Your indebtedness may be offset by any sum due to you or thereafter becoming due from the Company for the satisfaction of the debt. The Company at any time may pursue additional means to satisfy your then outstanding indebtedness to the Company, and may assign its right to collect this debt to your Distributor or overriding Producer.
- b) To the extent you are liable for any Producer's or Distributor's indebtedness, the company is free to seek satisfaction and/or offset of the debt from you at any time and is not obligated first to seek satisfaction or offset from the Distributor or Producer involved.
- c) You shall be responsible for your and your employees' present and future indebtedness to NACOLAH. The Company may offset such indebtedness from compensation otherwise due to the Distributor from NACOLAH. Any unsatisfied indebtedness to NACOLAH shall accrue interest at a rate equal to NACOLAH's current practice rate and shall be payable upon demand together with all collection costs incurred by NACOLAH.
- d) Transactions that may result in your indebtedness to the Company include, but are not limited to, the following:
 - 1. The advance payment of commissions or payment of commissions to you that are not earned due to any of the following:
 - a) a policy cancellation under a "free look" provision,
 - b) a policy surrender, lapse, or a change in the frequency of premium payment,
 - c) a policy not being accepted by the applicant after commission is paid,
 - d) a refund of premium or rescission of the policy by the Company for any reason, or
 - e) change in billing mode.
 - 2. The payment of a death benefit, which would have been denied but for your prior knowledge a material misrepresentation had been made;
 - 3. Cancellation fees charged to you when a policy was delivered more than 30 days from the date of issue and the policy is subsequently canceled or refused;
 - 4. Causing the Company expense in defending against a charge that you, your employee, or your Producer violated an insurance law or regulation;
 - 5. Causing the Company expense in settling a consumer complaint arising out of alleged negligent, fraudulent, illegal, or unauthorized acts or transactions by you, your employee, or your agent, or
 - 6. Any other transactions or activity by you, your employee or your agent, which results in your indebtedness to the Company.

8. TERRITORY

The Producer has not been assigned an exclusive territory or market segment.

9. ASSIGNMENT

NACOLAH, by any of its officers or designated employees, must approve in writing any assignment of this Agreement or any current or future compensation assignment under this Agreement. NACOLAH does not assume any responsibility for the validity, sufficiency, or tax consequences of any assignment. No assignment shall be effective until any indebtedness to NACOLAH incurred prior to, or subsequent to, such assignment is satisfied.



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10. INDEMNITY AND ERRORS & OMISSIONS INSURANCE

- a) The Producer will indemnify and hold NACOLAH harmless from all expenses (including reasonable attorneys' fees incurred by the Company), loss or damages (including punitive and extra contractual damages) suffered by NACOLAH because of violation of, or refusal or failure to comply with the terms of this Contract or with any federal or state laws, rules or regulations, or resulting from unauthorized acts or transactions, errors or omissions by the Producer or the Producer's employees in the performance of its services under this Contract.
- b) NACOLAH will indemnify and hold the Producer harmless for all non-commission related expenses, loss or damage suffered by the Producer resulting from any intentional act or omission by the Company or any of its employees contrary to the terms and provisions of this Agreement. However, NACOLAH will not be liable to the Producer for any legal or other expense the Producer chooses to incur, solely on its own, in connection with any such error.
- c) The Producer shall maintain Errors & Omissions liability insurance coverage in such amount during the term of this Agreement and in such terms as NACOLAH may from time to time determine. The Producer shall provide evidence of such coverage with submission of contract and subsequent renewal of coverage each year.
- d) Additionally, the Producer will communicate that the Company requires all producers and brokers to have and maintain Errors and Omissions liability insurance covering themselves during the term of this Contract and also provide evidence of such coverage with submission of contract and subsequent renewal of coverage each year.

11. PRIVACY AND CONFIDENTIALITY

You shall follow the Company's published Privacy Policy. This includes, but is not limited to:

- a) We require you protect the confidentiality of the underwriting information received by an applicant for insurance.
- b) You will maintain and dispose of all personal information in a secured manner as required by federal and state law. You will disclose all underwriting information only to us.
- c) You will maintain physical, electronic, and procedural safeguards that comply with federal and state standards.
- d) You will allow only designated personnel or service providers to have access to such information for our underwriting purposes.

12. TERMINATION

Termination of this Contract will automatically include termination of all supplements, amendments, addendums, and guarantees. The Producer agrees that:

- a) this Contract may be terminated without cause at any time by mutual agreement, or by you or the Company by depositing written notice in regular U.S. mail addressed to the last known address of the other party at least 30 days prior to the date of such termination,
- b) if the Producer is a corporation, corporate dissolution or cessation of doing business will cause immediate termination of this Contract,
- c) if the Producer is a partnership, death of one of the partners will cause immediate termination of this Contract,
- d) if the Producer is an individual, his or her death will cause immediate termination of this Contract,
- e) if the Producer is an individual or corporation, bankruptcy or commission of any act of bankruptcy will cause immediate termination for cause of this Contract,
- f) NACOLAH at any time also may terminate this Contract immediately for cause. "For cause" includes, but is not limited to, any determination by NACOLAH that the Producer:
 1. has breached this Contract, Company rules, guidelines or procedures, or state or federal law or regulation,
 2. has become involved in any legal or regulatory proceeding which might impair its ability to perform its obligation,
 3. has committed, or attempted to commit, an illegal or fraudulent act,
 4. has encouraged, induced or attempted to induce the replacement, lapse, or other termination of NACOLAH policies,
 5. has acted detrimentally towards NACOLAH or its policyholders,
 6. has withheld funds or documents from NACOLAH or its policyholders,
 7. has misrepresented NACOLAH's products or services, or
 8. has misrepresented, falsified or omitted (or has encouraged or attempted to misrepresent, falsify, or omit) material information furnished to NACOLAH on any applicable license or bond or if the applicable license or bond is refused, canceled, or not renewed,
- g) upon termination, the Producer and/or their legal representatives will immediately cease acting on behalf of NACOLAH, will return all of NACOLAH's property, and will promptly account to NACOLAH for all funds held on behalf of NACOLAH, and
- h) commissions will continue to vest as provided in Section 6 of this Contract.

13. CONSTRUCTION AND EFFECT

The Producer and NACOLAH agree that:

- a) as used in the Contract, the term "Producer" includes the Producer and the Producer's employees,
- b) the term "contract" includes any NACOLAH policy, certificate, endorsement, rider, Temporary Insurance Agreement, addendum or agent Contract,
- c) all notices under this Contract must be delivered by regular mail, addressed to the last address furnished in writing by either party to this Contract to the other,
- d) Illinois law governs this Contract.



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14. **NON WAIVER** Failure of the Company to require strict compliance with any of the terms of this Contract shall not constitute a waiver of such terms or conditions nor affect the right of the Company thereafter to require such compliance.
15. **SEPARABILITY** The provisions of this Contract will be considered to be separable and independent from each other, and in the event any provision of this Contract is found to be invalid, it will not affect the validity or effectiveness of the remaining provisions.
16. **SUPPLEMENTS, ADDENDUMS, AND AMENDMENTS** Supplements, Addendums and Amendments to this Contract shall run concurrently with it and are subject to the terms and conditions of the contract thereof, except as specifically modified by the Supplement, Addendum or Amendment.
17. **MEDIATION AND ARBITRATION OF DISPUTES** Any disputes or controversies between you and the Company arising out of or relating to your contract may, upon written demand of either party, be submitted to mediation and non-binding arbitration administered by the American Arbitration Association or a similar arbitration organization agreed upon by you and the Company, under the organization's then-applicable mediation and arbitration rules. This clause in no way limits or restricts the rights of you or the Company to obtain relief in a court of competent jurisdiction.
18. **ENTIRETY OF CONTRACT** This Contract and any supplements, amendments, addendums, or guarantees plus the producer contract application and agreement form the complete contract between you and the Company. Any amendment, supplement, or addendum to this contract must be in writing. Your signed Contract on file with the Company will control as to form and content.



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NOTICE REGARDING CONSUMER REPORTS

In connection with your application for a Producers Contract with North American Company for Life and Health Insurance Company (North American), North American may obtain one or more reports regarding your credit worthiness, credit standing, credit capacity, character, general reputation, personal characteristics, and/or mode of living from a consumer reporting agency. If North American plans to use any information in a consumer report in a decision not to contract with you or to make any other adverse contracting decision regarding you, it will provide you with a copy of the credit report upon which its decision was based and a written summary of your rights under the Fair Credit Reporting Act before it takes any adverse action. If any adverse action is taken against you based upon a consumer report, North American will notify you that the action has been taken and that the consumer report was the reason for the action.

North American Companies



We're Here for Lifesm

North American Company
for Life and Health Insurance
Since 1886

525 West Van Buren
Chicago, Illinois 60607
1-312-648-7600
www.nacolah.com

North American Company
for Life and Health Insurance
of New York

990 Stewart Ave., Suite 200
Garden City, New York 11530
1-516-228-8899
www.nacolah.com



Partnering With You On Compliance Matters

For Agent Use only Not Intended For Consumer
Solicitation Purposes.



Introduction

The North American Companies endorse and support the concepts in the Principles and Code of Ethical Market Conduct established by the Insurance Marketplace Standards Association (IMSA). As a representative of the North American Companies, 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 and customer focused 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 and 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;
- To report any activities of which you are aware that may be in violation of this code.

The North American Commitment

North American Company 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. Representatives and employees of North American Company are expected to uphold these principles and guidelines. A violation of these guidelines by a representative or employee will result in disciplinary action, including, if appropriate, termination of the relationship with the Company.

Policy Statement Concerning Fair Competition

North American Company 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 compliance with applicable laws. Federal and state laws exist to preserve a competitive economy in which free-enterprise can flourish. North American Company supports the purposes of these statutes and laws and insists that its employees and agents are in full compliance with applicable federal and state statutes governing trade practices, antitrust, and restraint of trade. In furtherance of this policy, North American Company employees and associates will:

- Comply with applicable state and federal laws fostering fair competition.

Policy Statement Concerning Fair Competition (cont.)

- ❑ Refrain from using or making any misrepresentation or false advertising regarding insurance products including any misrepresentation of the benefits, advantages, conditions, or terms of any insurance policy; interest, dividends or surplus to be received on any insurance policy; using 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 purposes 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 refrain from or limit the sale of any product.
- ❑ Avoid replacing existing life insurance policies and annuity contracts without meeting the requirements of applicable federal and state law, and providing information to the customer that he or she needs in order to ascertain whether replacement of existing policies or contracts may be in his or her best interest.

Except as set forth above in order to meet the requirements of applicable state and federal law, North American will compete freely and actively in markets or market segmentation determined by its

Policy Statement Concerning Fair Competition (cont.)

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 employee or agent will result in disciplinary action including, if appropriate, termination.

Privacy Notice

North American Company is committed to maintaining the confidentiality, integrity and security of personal information entrusted to us by current and prospective customers. The following is our Privacy Policy.

Right to know

Customers have a right to know what we do with the personal and confidential information we collect in the normal course of business offering, processing administering and maintaining the insurance and financial product purchased from North American Company. Because we value the integrity of our customer relationships, we want to assure you and your customers that we are properly safeguarding this important information.

Personal Information We Collect

We need accurate, current health and financial information about your customers so that we can determine their needs at a fair price. We collect personal information that is provided to us on applications, other forms and in interviews. In addition, we maintain information about their transactions with us, such as policy coverage, premiums and payment history. We may obtain additional information from third parties which may include agents, employers, other insurers, consumer reporting agencies or health care providers in the course of processing, underwriting or administering their annuity contract.

Privacy Notice (cont.)

Information We May Disclose

We may share their personal financial and health information on a confidential basis only with authorized employees, representatives and third parties whose services are required to assure the highest level of service. We may cooperate with other financial institutions in order to bring additional products and services to their attention. We will disclose only financial information that is necessary to such individuals or companies who perform marketing services on our behalf, or to other financial institutions with whom we have agreements.

We will not disclose any non-public personal information about your customers or about any other customers or former customers except as authorized by law, as described in the Privacy Notice or as otherwise communicated to your customers. Because we respect and share their concern for privacy, we will not provide their health information to anyone outside of our Companies except as described above. We will notify them if we make any material change in this Privacy Notice. We may share selected financial information about them with our affiliated companies in order to better serve them and to offer them worthwhile products and services.

Protection of Your Information

Reasonable care will be taken to keep pertinent records current, complete and accurate. If there are any inaccuracies in their statements, or in any other communication from us, we would appreciate their assistance in making corrections by contacting us.

We will protect all information collected about your customers, and we will restrict access to non-public personal information by maintaining physical, electronic and procedural safeguards. We will restrict access to protected data only to individuals who

Privacy Notice (cont.)

must use it in the performance of their job-related duties. Employees who violate our Privacy Policy will be subject to disciplinary action, which may include termination.

Above all, we value your customer's trust and confidence in our ability to manage and protect their important personal information. If you have any questions or concerns about our Privacy Notice, please call our Compliance Officer.

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 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 of any beneficiaries to the contracts and their relationship to the contract owner.
- ❑ Information regarding occupation, employer, financial status, tax status and investment objective for variable products.

USA PATRIOT Act (cont.)

Prior to accepting an application, the agent/registered representative typically meets personally with the proposed owner and witnesses his or her signature. In addition, the agent/registered representative 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 suitability of the recommended product and enables the agent/registered representative and North American Company to make a determination that the product purchased represents a transaction that is reasonable for the customer and reflects a legitimate business purpose.

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


- The purchase of a single lump sum contract by a customer whose previous product experience is with smaller, regular payment products;
- Payments 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;

USA PATRIOT Act (cont.)

- Early cancellation of a single premium sum contract;
- Payment by multiple bank checks or money orders.

If an agent/registered representative or employee suspects that a transaction does not represent a legitimate business purpose, contact Meg Taylor, Vice President and Chief Compliance Officer at 800-800-3656 Ext. 87712 or Tracy Michels, Assistant Vice President ext. 87648.

Provide Competent and Customer Focused Sales

 ompetent and customer focused sales are based on an analysis of the customer's insurable needs and financial objectives. You should carefully consider each customer's circumstance and future expectation when making product recommendations. You should review all the proposed policy 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 features and mechanics of the products that 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 insurable needs and financial objectives.

North American Company encourages the use of needs analysis tools to assist you in determining your customer's insurable needs and objectives.

Insurance products recommendations will be made only upon having reasonable information to determine such recommendations are appropriate and

Special Needs of the Senior Market

The senior market can be a good market for the life and annuity producer. With a record number of baby boomers beginning to retire, there is a need for conservative retirement products such as fixed annuities. This market will continue to grow with the ageing of our population. With more sales opportunities, there are also some things to consider when dealing with the senior market. Although this is not a comprehensive list of senior market guidelines, it does illustrate some points to consider when dealing with this market.

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

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

“Buyers 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 client fully understands what they have purchased will help overcome 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 stock/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.

Special Needs of the Senior Market

Broad Protection of Elder Abuse Laws: Elder abuse legislation has gained momentum in recent years. With the emerging senior population, often courts will favor on the conservative side with the senior client.

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.

These 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 in a way 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 charge for such services. The best method of avoiding problems is to be certain that the client understands that you are acting as a life insurance agent. In this regard, state life insurance solicitation regulations require that you inform the prospective purchaser, prior to commencing the sales presentation, that you are a life insurance agent and identify your full name.

You should encourage your client to consult with other professionals (e.g. legal or tax advice) on matters that you are not qualified or licensed to discuss.

Cautions should be taken when using Living Trusts as a financial planning tool. Litigation has been generated 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 like annuities. While we believe that, in the appropriate circumstances, a living trust can be a valuable planning device, mass distribution of this concept is not appropriate. Please also be aware that annuities offered by North American Company are not designed for use in “Medicaid-friendly” annuity programs.

North American Company does not provide tax or legal advice and we strongly encourage your clients to consult their tax advisor prior to establishing a living trust or purchasing any financial product in connection with a living trust.

Advertising Guidelines

The Compliance Department is pleased to announce enhanced, streamlined procedures for submitting your advertising to our Department for review and approval. Start taking advantage of this ease of doing business by e-mailing your ad to compliance@nacolah.com or faxing it to our dedicated fax number: 312-648-7780. These new methods will expedite the review and approval process and have you selling more. . . faster!

For easy reference, please refer to the advertising checklist found below to assist you in complying with state regulations and market conduct standards. For additional questions, please contact Terri Silvius at 800-800-3656 ext. 27858 or Tracy Michels at ext. 87648.

Advertising Guidelines (cont.)

Advertising Checklist:

Advertisements must have prior written approval by the Company. Advertising would include any material, written or electronic, that is designed for distribution to the general public, including but not limited to:

- Print, radio, TV and any form of media advertising (newspaper, magazine)
- Product brochures, circulars, pamphlets and published articles
- Sales presentations, prepared sales talks, seminar texts, telemarketing scripts and materials
- Newsletters, research and performance reports or summaries
- Prospecting, target market and form letters
- Business cards and letterhead
- Agent recruiting material
- Third party software
- Internet and internet websites or home pages and any other forms 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 North American Company or referencing any of our products and services must be approved by Compliance prior to use. This includes products reference by name, description, rate or features. To ensure your materials are reviewed expeditiously, the following procedures should be taken into consideration. We suggest you review these guidelines prior to submitting any piece of advertising for approval.

Advertising Guidelines (cont.)

- ❑ When an ad is submitted for approval, Compliance will notify you of the form number assigned to the ad. This form number is to be printed in the lower left hand corner of the ad.
- ❑ Advertisements may need to be filed with state departments and/or the NASD, which will add to the approval turnaround time. You will be notified if this is the case.
- ❑ Due to the changing nature of regulations governing advertisements and sales materials, compliance approval is valid for up to 12 months. This time period may be shorter if interest rates are referenced in the ad. Upon expiration, you must resubmit the ad for approval if you continue using the ad.
- ❑ If revisions to your ad are required, you must submit a final copy of the ad with the revisions to Compliance for final approval and filing (if necessary).
- ❑ Include your agency's name as it appears on your agent's license. For example, if an agent is licensed as "John Doe" but is doing business as "City Insurance Agency," "John Doe" must appear on the ad.
- ❑ Always indicate the licensed agent as the contact person. All consumer ads must have the name of the agent, agency (if applicable), address and phone number. If the advertisement will be distributed in the state of California, you are also required to include your state license number.
- ❑ If a variable product is featured, the agent must be identified as a Registered Representative and the name of and relationship to the Broker/Dealer must be disclosed. "Joe Agent is a Registered Representative of Sammons Securities Company, LLC member NASD/SIPC".

Advertising Guidelines (cont.)

- ❑ The product being advertised must clearly be identified as a life insurance policy or annuity contract.
- ❑ The term no cost, disappearing or vanishing may not be used in any advertising materials. In addition, a life policy cannot be billed as an "investment" or "retirement" vehicle.
- ❑ Do not refer to premium payments as "deposits".
- ❑ Indicate all product names registered with a service mark or registered trademark as applicable.
- ❑ If an ad is intended for agent use only, be sure to indicate "For Agent/Broker Use Only. Not Intended for Consumer Solicitation Purposes".
- ❑ Any ad promoting one of our products must describe the policy type, form number and issuing company. A typical disclosure is as follows: Marketing Namesm is issued on form XXXX (group certificate) or Form XXXX (individual contract) or state variations by North American Company for Life and Health Insurance, Chicago, IL. This product, its features and riders may not be available in all states.
- ❑ If a reference is made to any withdrawal feature of the product, include the disclosure, "Withdrawals prior to age 59½ may be subject to IRS penalties".
- ❑ If reference is made to specific interest rates, include the statement, "Interest rates are based on current rates and are subject to change without notice".
- ❑ Reference to any commercial rating—A.M. Best, for example—must incorporate a complete description of the rating: "Rated 'A' (Excellent) for financial strength and overall operating performance when compared to the norms of the life/health

Advertising Guidelines (cont.)

industry”. Also include a statement about the number of categories that a rating service would use to rank a company and where a particular ranking would fall within the total number of categories: “An ‘A’ (Excellent) rating by A.M. Best Company is the third highest rating out of fifteen categories”. If you decide to include rating information on your website be sure to provide full disclosure, or simply link to our website for this information.

- ❑ Any use of statistics or references to any information from an outside source must clearly identify the source of the information including the name and date of the report or publication.

Internet Advertising:

Internet advertising includes home pages and all related pages in an agency/agent website. To submit your site and/or page for approval, complete and submit an Advertising Submission Form along with copies of all relevant web pages including all links and instructions for accessing the site online. Note that approval must be received prior to any website “going live”. Regulations that apply to print Advertising also apply to Internet advertising. Since a website is accessible to all consumers, regardless of where they live, Internet advertising must comply with the advertising requirements of all states.

- ❑ Many websites, including those that market insurance products, may be identified by a marketing name that is different from the name shown on the “official” license for the agency or agent. Please note that a marketing name can easily be construed as a DBA (doing business as) and as such could require that the name be filed with the respective secretary of state office(s) and/or state insurance department(s).
- ❑ Since information contained on a website can be

Advertising Guidelines (cont.)

viewed by virtually anyone, anywhere in the world, include where you are licensed to do business and that you are a domestic U.S. agent/agency. For example: “John Smith, DBA XYZ Life Insurance Agency Inc., a domestic U.S. insurance agency licensed to do business in (states)”, or “licensed to do business in all states except (states)”.

- ❑ When including product information that is for agent use only, please provide the Internet address, User ID and password.

Record Retention

It is important that you maintain client files and documentation properly for future reference. Certain documents should always be maintained. These include:

- ❑ Original sales proposals;
- ❑ A copy of any needs analysis completed during the solicitation;
- ❑ A copy of any sales material used during the sales process;
- ❑ Any written correspondence to or from the policyowner regarding the solicitation, issuance of the policy, or subsequent service of the policy;
- ❑ Documentation of phone calls to or from the policyowner addressing the above issues;
- ❑ Notes from meetings with the policyowner.

State regulations vary regarding the amount 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 in-active files for seven years.

Complaint Handling

Consumer complaints generally fall into one of three categories:

- ❑ State Insurance Department Complaints, meaning those that are forwarded directly from the state to North American Company or to you as the agent;
- ❑ Executive Complaints, meaning those that are directed to the Chairman, President or other Senior Officer of the Company; and
- ❑ Direct Complaints, meaning those that are submitted directly to you or to North American Company for response.

It is possible that a consumer complaint may be a combination of all three. If North American Company receives a complaint regarding a policy written by you and the complaint is regarding the sales or servicing of the policy, you will be contacted for your written response. Your written response must address all charges made in the complaint. You will be asked to include copies of any documentation available to support your position. It is very important that you 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.

If you receive a complaint directly, develop a written response addressing the issues. If you need assistance in formulating the response, please contact the Compliance Department. If the complaint involves a state insurance department, an attorney, or another regulatory agency, contact the Compliance Department immediately for consultation before any reply is submitted.

Complaint Handling (cont.)

It is inappropriate and unacceptable for any agent to initiate any discussion of a settlement to a complaint without consulting with and gaining permission from the Home Office. In any settlement, a release form approved by the Home Office must be used.

North American Company is committed to fair and ethical treatment of all policyholders. As such, all consumer complaints are taken seriously. If you believe that the allegations are incorrect, we will assist you in defending that position and we will investigate thoroughly. Results can be serious, including state penalties, law suits, policy rescissions, commission reversal, or termination of the producer contract.

North American Company is committed to assisting you in these circumstances. Questions relating to customer relations and complaints should be directed to the Compliance Officer.

Application Guidelines

The application is a part of the insurance contract. If the answers on the application are incorrect, incomplete, or untrue, North American Company may have the right to deny benefits or rescind coverage. Therefore, it is important that the application be filled out completely and accurately.

Be sure your client understands that by signing the completed application forms, he or she is attesting that the information is accurate and complete. Never ask your client to sign a blank application or other document.

Application Guidelines (cont.)

The application is to be submitted to North American Company exactly as completed at the point of sale. The applicant must initial modifications to the application or other sales material subsequent to the signature of the application. Any modification to the application, replacement form, authorization, checks, or other material secured at the point of sale without the approval or knowledge of the applicant is an unethical sales practice, may be illegal, and could result in civil or criminal liability.

Your signature on the application is your personal assurance that the information supplied is, to the best of your knowledge, given voluntarily by an eligible applicant in a complete and accurate manner. Only the licensed agent(s) writing the business should sign the application. The signing of the application by any other producer is a prohibited practice.

Should the client qualify for conditional coverage, do not accept money in excess of the amount specified in the conditional receipt. Remember that, in most states, a conditional receipt provides conditional coverage and should only be referred to as such. Conditional coverage should never be referred to as a binder.

Finally, remember that it is your responsibility to protect the privacy and confidentiality of the information obtained during the underwriting process. Personal information intended to be transmitted to North American Company should be kept in the utmost confidence.

Replacements

Replacements are and continue to be one of the most heavily regulated transactions. Depending on the circumstance, a replacement may or may not be in the best interest of your client. You have a responsibility to make sure that your client has all of the necessary facts in order to determine if the replacement is in his or her best interest. A replacement may be in the client's best interest:

- If the benefit amount can be increased for the same or similar premium;
- If the policy can remain in force longer for the same or similar premium;
- If the accumulation value will increase for the same or similar premium;
- If the premium payment period is shorter for the same or similar premium;
- If the customer can purchase the same benefits for a lower premium.

Comparisons between an existing product and a proposed product must accurately and fairly describe the policies' provisions and values. You should discuss the advantages and disadvantages of any potential replacement with your client. Remember to address:

- Any required evidence of insurability;
- The contestability and suicide provisions of the existing and proposed policy;
- The loan provision and loan interest rate of both policies;
- Any surrender charges and/or expense fees associated with both policies;

Replacements (cont.)

- ❑ The premium requirements of the proposed policy;
- ❑ The present and future values of both policies;
- ❑ The current interest and mortality charges of both policies;
- ❑ The potential tax treatment of the replacement and whether the replacement can qualify as a Section 1035 exchange.

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

- ❑ Lapsed, forfeited, surrendered, or otherwise terminated;
- ❑ Converted to reduced paid-up insurance, continued as extended term insurance or otherwise reduced by the use of nonforfeiture benefits;
- ❑ 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 policy; or
- ❑ Amended by reducing or eliminating ancillary benefits, such as waiver of premium or accidental death benefits.

Replacements (cont.)

A replacement can be internal or external. An internal replacement occurs when an existing policy is exchanged for a new policy from the same insurer. An external replacement occurs when a policy is replaced by another insurer. Only you and your client can decide if the replacement is suitable. When a replacement is appropriate, be certain to use the appropriate replacement disclosure forms.

Monitoring Activities – North American Company recognizes that replacement activity varies by product type. For example, carriers with a high volume of term business often experience a higher percentage of replacement activity due to the increasingly lower premium rates available in the marketplace. North American Company monitors replacement activity on an ongoing basis for trend analysis purposes. Should the level of replacement activity for an agent or agency present a concern, the Compliance Officer will investigate the issue further and discuss the issue with the agent and/or agency.

Policy Delivery

The issued policy should be delivered to the owner within 15 days from the date North American Company mails it to you. Policies should never be kept in an agent's file. In addition, you should be aware of all outstanding delivery requirements and assist your client in completing the necessary documents. Remember that the policy is not in force until all delivery requirements have been submitted to North American Company. Failing to return delivery requirements can jeopardize your client's coverage.

Licensing and Contracting

North American Company follows all state licensing regulations regarding agent licensing and appointments. Your license to sell insurance with North American Company requires that you abide by all of the laws, rules, and regulations of any state in which you are licensed to conduct business. In some states, agents are not allowed to take an application prior to licensing and/or appointment.

You should check with your Licensing and Contracting Analyst for state specific rules.

Errors and Omissions 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 accountable for making this notification.

Continuing Education

North American Company believes that continuing education about products, industry, and regulatory issues is critical to being able to provide competent and customer focused 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 Marketing Department.

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, Chief Compliance Officer
312-648-7712

or

Tracy Michels, Compliance Officer
312-648-7648

For questions and concerns regarding consumer complaints, please contact the Compliance Officer or, for North American Company for Life and Health Insurance and North American Company for Life and Health of New York:

Cheryl Ziegler

Compliance-Consumer Affairs
605-335-5700, ext. 32423

or

Tracy Michels, Compliance Officer
312-648-7648

For assistance from the Marketing Department, please contact your Sales Coordinator. For North American Company for Life and Health Insurance, please contact:

312-648-7600, ext. 10411

Or, for North American Company for Life and Health Insurance of New York, please contact:

516-228-8899, ext. 21608

NOTE: Ongoing compliance information is provided to each Managing General Agency. It is the responsibility of the Managing General Agency to disseminate this information to its producers.