Fidelity & Guaranty Life

COMPLIANCE BULLETIN

FGL Compliance

JANUARY 2014

TO: ALL PRODUCERS APPOINTED IN IOWA

FROM: FIDELITY & GUARANTY LIFE COMPLIANCE

RE: IOWA PERMITTED ACTIVITIES

The Iowa Insurance Division has issued guidance on what activities are permitted to be performed by insurance producers who are only insurance licensed and are not securities licensed.

To ensure each of our producers is aware of these guidelines, we are asking each of you to review Iowa Bulletin 11-4 and confirm in writing you are familiar with and will abide by these guidelines. Please take a moment to carefully review Insurance Bulletin 11-4 which is attached. Then please sign the accompanying certification and return it to us no later than March 31, 2014.

We are confident most of you are already aware of this bulletin and familiar with its contents. As you will see, the Bulletin emphasizes that:

- Insurance-only agents in the course of selling annuities or life insurance must be careful to avoid activities and conduct permitted only for securities licensed agents.
- Insurance-only agents can and must discuss with their clients in general terms matters such as risk toler ance, financial experience, objectives, tax status, existing assets, liquidity, time horizon, and intended use of an annuity of life insurance policy in order to establish suitability for recommending the annuity or insur ance product.
- Insurance-only agents can discuss the stock market in general terms and the need for market protection but only to the extent necessary and incidental to the sale of the fixed annuity or life insurance product.
- Insurance-only agents cannot discuss risks specific to the client's unique securities portfolio, provide ad vice regarding specific securities, recommend liquidation of specified securities, recommend allocations between insurance and securities products, or complete any securities related forms excepting those forms required to complete the insurance transaction or required by Iowa law such as suitability and re placement forms.
- Insurance-only agents may not hold out as investment advisors and must ensure clients understand they are insurance licensed agents only.

We urge you to review Iowa Insurance Bulletin 11-4 closely for more details. You may also want to review our company's related bulletin titled "Avoid Giving Investment Advice" found in Compliance Corner on SalesLink. It contains similar guidance and includes a helpful disclosure statement that can be used with your clients on an optional basis.

It is especially important for you to be familiar with these guidelines at a time when our company is introducing new indexed products using more varied interest crediting options based on such factors as the price of gold, real estate investment trusts, foreign stock indices, and volatility controlled market indices. You must be careful to avoid creating any impression – as you sell our indexed products - that you are selling direct investment in these underlying indices or giving any advice on the performance of these underlying indices.

As indicated above, we ask that you sign the accompanying certification indicating you have reviewed and will abide by Insurance Bulletin 11-4. Please note every resident and non-resident agent appointed in Iowa must sign and return the certification form even if you are securities licensed. The signed certification must be returned by March 31, 2014 to avoid suspension of your appointment and potential disruption of sales.

You may return the certification in one of the following ways:

- Email to: contracting.support@fglife.com
- Fax to: 1-410-895-0129
- Mail to: Fidelity & Guaranty Life Insurance Company
  Attn: Agency Services
  1001 Fleet Street
  Baltimore, MD 21202

We appreciate your attention to this important matter and thank you for your continuing commitment to good compliance.

TERRY E. BRANSTAD
GOVERNOR

SUSAN E. VOSS
COMMISSIONER OF INSURANCE

KIM REYNOLDS
LT. GOVERNOR

INSURANCE BULLETIN 11-4

To: Persons Licensed in Iowa to Sell Insurance and/or Securities

From: Susan E. Voss, Insurance Commissioner

Re: Licensing Requirements and Permitted Activities

Date: June 24, 2011

I. Introduction

Since Iowa adopted a rule (191 Iowa Administrative Code rules 15.68-15.73) substantially similar to the April 2010 Suitability in Annuity Transactions Model Regulation of the National Association of Insurance Commissioners ("NAIC"), questions have arisen as to where the line is drawn between providing insurance advice and securities advice. The answers to these questions have become increasingly important because suitability laws at the state and federal level have evolved to the point where any recommendation to a consumer of either an insurance product or a securities product requires an extensive financial analysis of the consumer's financial affairs and a discussion of broad financial trends. How information received from the consumer is applied will be different depending on whether it is an insurance transaction or a securities transaction because of the differing requirements of insurance and securities laws.

References to insurance in this Bulletin include both life insurance and annuities.

Under Iowa law, variable annuities remain an insurance product while under federal law they are securities. Thus, for a sale of variable annuities, dual licensing is required and not covered by this Bulletin except for Section VI.

For purposes of this Bulletin, "Insurance-Only Person" means an individual who holds an Iowa insurance license that authorizes the sale of annuities or life insurance products and who is not Iowa-licensed as an investment adviser, securities agent or investment adviser representative under Iowa securities law.

For purposes of this Bulletin, "Securities-Only Person" means an individual who is licensed as an investment adviser, securities agent or investment adviser representative under Iowa securities law, and who is not Iowa-licensed as an insurance producer under Iowa insurance law.

Any specific waiver request of 191 Iowa Administrative Code rules 15.68-15.73 must be filed in accordance with 191 Iowa Administrative Code rules 4.21-4.36.

Should you have any questions concerning this notice or the rules, please contact Jim Mumford at the Insurance Division. He may be reached at jim.mumford@iid.iowa.gov.

II. Purpose

This Bulletin is based on current Iowa insurance and securities laws and designed primarily to provide guidance to insurance producers, investment adviser representatives and securities agents about:

- **The permissible and prohibited activities of "Insurance-Only Persons"** under insurance and securities laws and regulations with respect to a recommendation to purchase an annuity contract or life insurance policy (hereafter referred to as annuity or life insurance) made to a consumer who may choose to liquidate a security in connection with such purchase. The guidance in this draft is being provided so that Insurance-Only Persons may have a better understanding of the types of activities and conduct that are within the scope of permissible activities and the types of activities and conduct that are beyond the scope of permissible activities.

- **The permissible and prohibited activities of "Securities-Only Persons"** under insurance and securities laws and regulations with respect to a recommendation to purchase a security made to a consumer who may choose to surrender part or all of the proceeds from an insurance product in connection with such purchase. The guidance in this Bulletin is being provided so a Securities-Only Person may have a better understanding of the types of activities and conduct that are within the scope of permissible activities and the types of activities and conduct that are beyond the scope of permissible activities.

III. Permitted Activities for an Insurance-Only Person.

The following is not intended to be a complete description but rather a description of generally-recognized permissible activities of Insurance-Only Persons.

1. The Insurance-Only Person may discuss with the consumer the consumer's risk tolerance, financial situation, and needs. This may include a discussion of the consumer's:

    - financial experience;

    - financial objectives, including whether the consumer needs to earn a guaranteed rate of interest, needs guaranteed minimum increases in guaranteed values, or wishes to have available a minimum lifetime income stream;

- risk tolerance, including need for principal protection or protection from market risk;

- need to balance and diversify risk, including need for product or issuer diversification that may support an insurance position within a consumer's financial plan;

- tax status, including whether the assets used to purchase the annuity or life insurance are or need to be tax deferred;

- existing assets, including annuity, investment, and life insurance holdings;

- financial resources generally available for the funding of the annuity or life insurance;

- liquidity needs and liquid net worth, including whether there are funds other than those being used to purchase the annuity or life insurance that will be available during the surrender period of the annuity or life insurance for emergency or urgent needs, and where those funds are located;

- financial time horizon; and

- intended use of the annuity or life policy.

2. An Insurance-Only Person may discuss with the consumer the stock market in general terms including market risks and recent or historic economic activities that are generally known to the public and regularly discussed in public media.

3. An Insurance-Only Person's general discussion outlined in (1) and (2) should only be to the extent that the discussion is a necessary component of the Insurance-Only Person's insurance services and to the extent that the information is used to give the Insurance-Only Person reasonable grounds for believing that the recommendation to purchase, borrow against, exchange, or replace an annuity or life insurance is suitable for the consumer.

4. In his or her general discussion with the consumer, the Insurance-Only Person may discuss and complete suitability, replacement, and exchange or transfer forms as required by Iowa insurance regulations.

5. In his or her general discussion about the expectations of the funds being considered to purchase the annuity or life insurance, the Insurance-Only Person may discuss: that the funds need protection from market risk; that the tax status of the funds and that tax deferral needs to be utilized or maintained; that the funds may be needed to provide a lifetime income stream; that the funds need to earn a guaranteed interest rate; or that there are other funds available during the surrender period of the annuity or life insurance for emergency or urgent needs and where those funds are located.

6. An Insurance-Only Person may have-general discussions about balancing risk, diversification, etc., that support an insurance position within a consumer's financial plan.

7. An Insurance-Only Person may provide advice as part of a financial plan. When doing so, an Insurance-Only Person should clearly identify himself or herself as an individual who holds an Iowa insurance license and explain that such license authorizes the person to discuss how annuities or life insurance products may fit into the consumer's financial plan and that he or she is authorized to sell annuity or life insurance products and not sell, recommend or provide advice about securities.

IV. <u>Prohibited Activities for an Insurance-Only Person.</u>

The following is not intended to be a complete description but rather a description of generally-recognized activities that are specifically prohibited for an Insurance-Only Person:

1. Discussing risks specific to the consumer's individual securities portfolio.

2. Providing advice regarding the consumer's specific securities or securities investment performance, or comparing the consumer's specific securities or securities investment performance with other financial products, including annuity contracts or life insurance policies.

3. Recommending the liquidation of specific securities, or identifying specific securities that could be used to fund an annuity or life insurance product.

4. Recommending specific allocations, in dollars or percentages, between insurance and securities products.

5. Offering research, analysis or recommendations to a consumer regarding specific securities.

6. Completing securities forms, except for: 1) providing general information to the consumer related to the consumer's existing or new annuity or life insurance product; 2) assisting with forms that are required by the insurance company to complete an insurance transaction; and 3) assisting with forms that are required by Iowa insurance regulations.

7. Using the following term or terms: investment adviser, securities agent, or investment adviser representative under Iowa securities laws; and similar titles that tend to indicate to customers that the individual is licensed to provide investment advice, that the individual is licensed to sell securities, or otherwise holding the individual out as providing investment advice to others, when the individual is not so licensed.

V. **Permitted Insurance-Related Activities for a Securities-Only Person.**

The following is not intended to be a complete description but rather a description of generally-recognized permissible insurance-related activities of Securities-Only Persons:

1. The Securities-Only Person may generally discuss the consumer's:

   - risk-tolerance;
   - financial situation and needs;
   - financial experience;
   - financial objectives;
   - financial time horizon;
   - existing assets, including investment and insurance holdings;
   - liquidity needs;
   - liquid net worth; and
   - tax status.

2. The Securities-Only Person may discuss insurance with the consumer in general terms in the context of managing risks and recent or historic insurance activities that are generally known to the public and regularly discussed in public media.

3. A Securities-Only Person's general discussion outlined in (1) and (2) should only be to the extent that the discussion is a necessary component of the Securities-Only Person's securities services and to the extent that the information is used to give the Securities-Only Person reasonable grounds for believing that the recommendation to purchase, sell, hold or exchange a security is suitable for the investor.

4. A Securities-Only Person may discuss diversifying assets and financial objectives using insurance that is solely incidental to the Securities-Only Person's securities services and the recommendation to purchase, sell, hold, exchange, or replace a security product when the Securities-Only Person provides advice as part of a financial plan.

5. In his or her general discussion about the expectations of the funds being considered to purchase securities or investments, a Securities-Only person may discuss: that the funds could be used for wealth accumulation strategies; the current tax status of the funds and change in tax status; general discussion of "risk versus reward;" or that there are other funds available during the time period used to meet the financial objective of the securities or investments for emergency or urgent needs and where those funds are located.

6. A Securities-Only Person may have a general discussion about balancing risk, diversification, etc., that support an insurance position within a consumer's financial plan.

7. A Securities-Only Person may provide advice as part of a financial plan. When doing so, a Securities-Only Person should clearly identify himself or herself as an individual who is licensed as an investment adviser, securities agent or investment adviser representative under Iowa securities law, and who does not hold an insurance license.

VI. Prohibited Activities for a Securities-Only Person.

The following is not intended to be a complete description but rather a description of generally-recognized activities that are specifically prohibited for Securities-Only Persons:

1. Discussing the benefits or negatives of insurance, its cost versus benefits, in specific terms relating to the consumer's individual or group insurance policies.

2. Providing advice regarding the consumer's specific insurance policy performance, or comparing the consumer's specific insurance policy performance with securities.

3. Recommending the liquidation of an insurance policy, the lapsing of an insurance policy, the taking of policy loans, withdrawals, or surrenders, or otherwise providing any insurance advice or recommendations related to the purchase of a security.

4. Recommending specific allocation, in dollars or percentages, between securities and insurance products.

5. Offering research, analysis or recommendations to a prospective consumer regarding specific insurance products or policies.

6. Completing insurance forms, except for: 1) providing general information to the consumer related to the consumer's existing or new securities product; 2) assisting with forms that are required by the insurance company to complete a securities transaction; and 3) assisting with forms that are required by Iowa securities regulations.

7. Using the terms insurance professional, agent, producer or similar titles that tend to indicate to customers that an individual is licensed to provide insurance advice, or otherwise holding the individual out as providing insurance advice to others when the individual is not so licensed.

VII. Certain Unlicensed Persons and Entities Who are Permitted to Give Limited Insurance-Only Advice.

1. In certain instances, persons who are not insurance licensed are permitted to provide insurance-only advice. This includes individuals:

    a. Who do not receive compensation, directly or indirectly, for the insurance products purchased including the payment of commissions or other remunerations based on transactions in insurance; and

    b. Whose insurance-only advice is incidental to the services they provide.

2. These individuals may include, but are not limited to the following:

    a. An employee of a business whose job includes the explanation of insurance plans or options available during or following employment;

    b. A lawyer, accountant, engineer, or teacher whose providing of insurance advice is solely incidental to the practice of the person's profession;

    c. A publisher, employee, or columnist of a newspaper, news magazine, or business or financial publication, or an owner, operator, producer, or employee of a cable, radio, or television network, station, or production facility, if the financial or business news published or disseminated is made available to the general public and the content does not consist of rendering advice on the basis of the specific insurance situation of a particular customer or audience member; and

    d. A bank or savings institution or its employees whose providing of insurance advice is solely incidental to the conduct of other banking or savings business.

VIII. **Insurance Producers Who Are Licensed as Investment Advisers or Investment Adviser Representatives.**

Insurance licensed producers who are also licensed as investment advisers or investment adviser representatives as defined in Iowa Code Section 502.102(15) and (16)(2011) may be considered providing investment advice and subjecting themselves to securities rules which require them to adhere to a fiduciary standard and additional disclosure rules. Insurance producers that obtain investment advisers licenses to be able to provide advice to clients concerning the sale of a security, such as a mutual fund, to purchase an insurance product, could be subjecting themselves to the jurisdiction of state and federal securities regulators for violation of securities rules pertaining to fiduciary requirements. Persons who solely provide insurance advice as discussed in Section I of this Bulletin, and who disclose that fact to the consumer, should not be concerned with investment adviser or investment adviser representative requirements.

Fidelity & Guaranty Life®

COMPLIANCE BULLETIN

FGL Compliance

Compliance Caution
Avoid Giving Investment Advice

Fidelity & Guaranty Life Insurance Company and Fidelity & Guaranty Life Insurance Company of New York would like to remind appointed insurance producers who do not have necessary securities or investment advisor licenses to exercise extreme caution to ensure they do not inadvertently provide investment advice and/or recommend the purchase, sale, liquidation, surrender, replacement, or withdrawal of any security, including variable insurance products.

To help ensure that you do not find yourself performing activities that could be deemed by federal or state securities regulators as holding yourself out as a licensed securities representative or investment advisor, Fidelity & Guaranty Life and Fidelity & Guaranty Life of New York strongly recommend appointed producers (unless they have necessary securities or investment advisor licenses) follow the following guidelines:

- Never provide specific advice that a client should purchase, sell, liquidate, surrender, replace, or withdraw from a particular mutual fund, variable insurance product, stock, bond, or any other security to fund an Fidelity & Guaranty Life or Fidelity & Guaranty Life of New York insurance product.
- Confirm – if the client intends to sell, liquidate, surrender, replace or withdraw from a security– that the client is taking such action on the client's own initiative.
- Clearly state that you are an insurance agent and you are not securities licensed to avoid any confusion in that regard. Direct the client – if it seems appropriate – to consult an investment advisor or licensed securities representative if there are questions about the client's securities portfolio or any securities product.
- Limit your discussion or explanations to the general nature of your client holdings and do not discuss the attributes or merits of any particular security or securities product. Avoid making any recommendation relating to a client's asset allocations among different types of securities. Never attempt to explain how specific securities work or perform, nor tell a client how much money they should invest in securities.
- Never refer to any Fidelity & Guaranty Life or Fidelity & Guaranty Life of New York product as an "invest ment". Always explain to your clients that although the value of a fixed indexed annuity may be affected by external market indices, a fixed indexed annuity is not an investment in the stock market and does not participate in any stock, bond or equity investments.
- For your protection – consider using the attached disclosure form or any similar form to ensure the client understands your role as an insurance agent.

When working with a client who has money markets, mutual funds, variable insurance products, stocks, bonds, or any other securities, producers should be careful to avoid giving any advice about those specific products, unless the producer holds the necessary securities or investment advisor licenses. Instead, your focus should be on the goals and objectives of your client, and how Fidelity & Guaranty Life and Fidelity & Guaranty Life of New York products can help them achieve those goals and objectives because of their unique features and services.

Should you have any questions or concerns, please discuss the matter with your up-line manager, or contact our compliance department at 410-895-1079.

FOR PRODUCER USE ONLY – NOT FOR USE WITH THE GENERAL PUBLIC.

Fidelity & Guaranty Life Insurance Company, Des Moines, IA
Fidelity & Guaranty Life Insurance Company of New York, New York, NY

Important Disclosure

INSURER: **FIDELITY & GUARANTY LIFE INSURANCE COMPANY**

- ☐ **I am selling/liquidating/surrendering/replacing/withdrawing some or all of my securities (including variable products, mutual funds, stocks, or bonds) and using the proceeds to purchase life insurance or annuities offered by Fidelity & Guaranty Life Insurance Company. I acknowledge that neither Fidelity & Guaranty Life nor its appointed agents recommended I sell/liquidate/surrender/replace/withdraw any securities or otherwise provided any investment advice related to my securities holdings. Any decision to sell/liquidate/surrender/replace/withdraw securities is a decision I made and carried out on my own.**

- ☐ **I understand that my Fidelity & Guaranty Life appointed agent acts only as an insurance agent and is not licensed to sell securities or offer any investment advice regarding my securities holdings or portfolio.**

- ☐ **I acknowledge that my Fidelity & Guaranty Life appointed agent advised me to consult with an investment advisor, securities licensed representative, or other qualified professional such as an accountant or attorney if I have any questions or concerns about selling/liquidating/surrendering/replacing/withdrawing my securities. I understand my Fidelity & Guaranty Life appointed agent is not licensed or qualified to render any advice about purchasing, selling/liquidating/surrendering/replacing/withdrawing securities, including tax consequences and any possible related fees or charges associated with such securities transactions.**

By checking off each of the above boxes and signing below, I acknowledge I have read and fully understand the information contained in this disclosure statement and have received a duplicate copy for my records.

Client Signature: ____

Print Name: ____

Date: ____

FIDELITY & GUARANTY LIFE INSURANCE COMPANY

Iowa Bulletin 11-4 (Permitted Practices) Certification

All Fidelity & Guaranty Life Insurance Company producers who are licensed producers in the state of Iowa are required to review Iowa Bulletin 11-4 and attest to the following:

> **I have carefully reviewed and agree to abide by the guidelines set forth in Iowa Insurance Bulletin 11-4 in the course of acting as a producer for Fidelity & Guaranty Life Insurance Company. In particular I will abide by the guidelines applicable to Insurance-Only Persons unless I am licensed in Iowa as an investment advisor, securities agent, or investment adviser representative.**

____

Signature

____

Print Name

____

Date

____

Producer Number

Return completed form one of the following ways and keep a copy for your records:

- ***Email to:*** ***contracting.support@fglife.com***
- ***Fax to:*** ***1-410-895-0129***
- ***Mail to:*** ***Fidelity & Guaranty Life Insurance Company***
  Attn: Agency Services
  1001 Fleet Street
  Baltimore, MD 21202