



## Suitability Guidelines

For Annuities



Standard Insurance Company takes financial suitability very seriously. It is our responsibility as an insurer to make sure that every sales recommendation is suitable. We do this by looking at clients' financial objectives, financial needs and financial status.

When assessing a client's suitability, consider these factors:

- Age
- [Current and expected annual income](#)
- Current and expected financial situation and needs, including financial resources that will fund the annuity
- [Financial experience](#)
- Financial objectives
- [Intended use of the annuity](#)
- Financial time horizon
- [Existing assets, including investment and life insurance holdings](#)
- Current and expected liquidity needs
- [Liquid net worth](#)
- Risk tolerance
- [Current and expected tax status](#)
- Plans for retirement

We require our producer partners to be in compliance with the NAIC's Suitability in Annuity Transactions Model Regulation. They must complete state-required training on annuities and specific training to learn the features of The Standard's<sup>+</sup> product offerings.

Additionally, the Department of Labor recently issued new investment advice regulations. These regulations make it even more crucial that financial advice is tailored to each client's unique situation when a recommendation is being made.

### How the Review Process Works

When we receive an application, suitability form and other new business paperwork, we first ensure that the producer has undergone the required training. Then we review the client's financial suitability, including any applicable replacement activity, to decide whether to accept or reject the case, or whether further review is necessary.

A manager will evaluate cases that need additional review. We may modify and accept or return them to the producer. We will ask for additional documentation from a producer, or client, if necessary to complete an evaluation in order to see the full picture.

## Causes for Immediate Rejection

- A client refuses to give financial information on the suitability form.
- The suitability form is incomplete.
- A replacement or surrender took place within the last 36 months and the same producer sold the original contract.
- Undisclosed replacements.
- A producer has not completed the required training. *In this situation, the producer will have to resubmit new paperwork after the training is complete. This includes all new business paperwork and the suitability form. All forms will need to be re-signed and dated by both the producer and client.*
- The funds to purchase this annuity have come from a reverse mortgage or home equity loan.
- The annuity purchase will leave the client unprepared to meet future emergencies.

## Producer Responsibilities

- Document your conversations with clients and file them for future reference. This will be helpful if you are ever questioned about your recommendation. Keep and maintain these records for at least five years or as long as the case is in force.
- Leave advertising or marketing materials from your sales presentation with your clients.
- Give as much detail as you can on the suitability form to help us see the full picture.
- Provide the client with relevant information so they can make an informed decision. Tell them about advantages and disadvantages.
- If clients purchase an annuity and replace another, consider the potential loss of benefits or penalties and whether they might enter a new surrender charge period.
- Understand clients' short- and long-term goals, as well as their stage in life. What is their need for liquidity?
- Ask yourself whether the purchase of this annuity is in the client's best interest.
- If your client were a close friend or family member with similar objectives, would you make the same recommendation?

## Suitability Form FAQ'S

**What if the client's life expectancy is shorter than the new annuity's surrender charge period?** A producer may want to pick a product with a shorter surrender charge period. The sales recommendation may be more acceptable if the client does not plan to access the funds and considers the purpose of the annuity to be a transfer of wealth. If so, just make sure the client has chosen "Assets to Beneficiaries" or "Estate Planning" on the suitability form.

**What should I include in the client's total liquid assets?** Include savings or checking accounts, CD's, money market accounts, and any stocks/bonds/mutual funds. Also include the premium amount for the current purchase, as well as any additional annuities held elsewhere, that may or may not incur a surrender charge if surrendered or replaced.

**What if a client reports an income shortfall?** If the client reports an income shortfall, then for the purposes of suitability, we will expect that shortfall to continue over the client's life expectancy, *unless informed otherwise*. You will need to show how the client plans to meet their expenses for the duration of the income shortfall. You may want to consider providing the client's total household income rather than their sole income.

**What if changes are made to the suitability form after it has been signed and dated?** The client must sign and date the form(s) again to confirm that the revisions are correct.

**What if the client faces any charges, penalties or a loss of benefits because of this annuity purchase?** In this situation we will require the client to explain why the annuity purchase is suitable.

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