

WORKBOOK

# ACM

Annual Compliance Meeting 2011

WE OWN IT, LET'S PROTECT IT



Freedom Lives Here

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# OVERVIEW

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## **Annual Compliance Meeting 2011 Overview**

The Annual Compliance Meeting for 2011 is a comprehensive program developed to meet regulatory agency, continuing education and annual compliance meeting requirements. The program is presented in four parts:

### **Part 1: General ACM and Insurance**

All licensed Representatives are required to participate in the General ACM and Insurance section. This section addresses the appropriate way to conduct essential business activities of building a Primerica business. Also, current issues related to our insurance products will be discussed.

### **Part 2: Lending Continuing Education**

All Representatives who are authorized to conduct the loan brokering business are required to participate in the Lending CE. This section focuses on issues related to our loan products.

### **Part 3: Securities Firm Element**

All securities registered Representatives are required to participate in the Securities Firm Element. In this section we illustrate and discuss issues related to our securities products.

### **Part 4: Securities ACM**

This section is required for all securities registered Representatives. This section focuses on securities compliance-related topics. The RVP will discuss the topics in this section with his or her securities registered downlines in order to fulfill the face-to-face training requirements set forth by FINRA.

# GENERAL INSTRUCTIONS

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## General Instructions for the 2011 Annual Compliance Meeting

### You should receive the following from your RVP:

- ACM Program Guide with Agent Representation Statements;
- Instructions for completing *Response and Disclosure Forms* based on your license.

## DISCLOSURE FORMS

You will find a copy of the attestations and representations for each product line in the Program Guide for your review.

Attestations and representations for the insurance and loan products can also be found in the respective sections of this workbook. Securities attestations can be found and completed on POL.

### If you are PLIC/NBL/PFSHMI Licensed:

The *Response and Disclosure Form* is now available on POL (POL > Compliance > 2011 ACM Materials > U.S. > 2011 Response and Disclosure Form).

On the back of the form, we have listed various items that you must disclose if they apply to you. All disclosures must be promptly addressed on these forms.

If you make disclosures requiring supporting documentation, you must attach all documents to your disclosure form. If you do not include the required documentation, the form will be returned to your RVP.

**Give your completed *ACM Response and Disclosure Form* (and any supporting documents) to your RVP.**

### If you are Securities Licensed:

You will need to go online on POL and answer a series of securities disclosure questions. You may access these questions through links on POL (POL > Compliance > Online Certifications (left side of page) > United States > 2011 Attestations and Representations).

## ACTIVE DUTY MILITARY PERSONNEL

If you are on active-duty assignment and cannot complete the required ACM segments, you will need to provide your RVP with a copy of your active duty orders.

## CONTACT US

Please contact us if you have any questions:

- Email your questions to:  
us\_annualcompliance@primerica.com.
- Call us at 1-800-737-5596.

***All 2011 ACM forms, responses and related documents must be received at the Home Office by November 30, 2011.***

**PART 1:**  
**GENERAL ACM**  
**AND INSURANCE**

The General Annual Compliance Meeting is required for all licensed representatives, as required by the Primerica companies.

## Recruiting

### Always Properly Represent Primerica and Our Message

Recruiting is the lifeblood of the Primerica business opportunity. We must continually seek people who want to share in this awesome opportunity. It is vitally important that we communicate a consistent and accurate recruiting message and never say things that will damage our image or diminish our credibility.

As you continue to recruit individuals to join Primerica, continue to reinforce that representatives only earn commissions for licensed product sales. Representatives do not get paid commissions for recruiting. This would violate anti-pyramiding laws and is a practice Primerica prohibits. Remember that recruits are never required to purchase any Primerica products or provide referrals in order to become a Primerica Representative. The opportunity meeting is one of the best ways for your recruits to see the way we do business at Primerica. We are not a “get rich quick” scheme. We offer a serious business opportunity and an opportunity meeting is a great way to present this.

### Recruiting the Right Way

When you are presenting the business opportunity to new recruits, be positive. Be sure to let your recruits know that becoming securities, loan and life insurance licensed is central to the business opportunity.

If people feel they have been tricked or misled, they will likely give up on the opportunity, and may disparage the opportunity to others, making it more difficult for you to recruit others.

Recruiting the right way involves many factors, including providing basic information about the Primerica Opportunity, honestly and accurately answering potential recruits' questions about the opportunity, and not being evasive about the opportunity.

The \$99 IBA offers recruits a terrific way to take advantage of the Primerica business opportunity. Please make sure you clearly explain to recruits that the \$25.00 POL access fee is a monthly charge. Also be sure to tell recruits the POL access fee will be automatically deducted from their account every month unless they contact POL to cancel the service.

### Recruiting Don'ts

#### NEVER:

- Be dishonest about the nature of the Opportunity, including the company name and that this is an opportunity, not employment;
- Promise a job, salaried or management position, or use the word “hiring”;
- Misrepresent an invitation to an Opp Night as a job interview;
- Make earnings claims;
- Require the purchase of products, or make it a condition to work with or train a new recruit;
- Abuse a recruit's warm market;
- Hold IBAs and/or money submitted with an IBA;

- Tell recruits that their IBA fee will automatically be “reimbursed” by their participation in the Scholarship Program;
- Require new recruits to purchase cost items and/or attend out of town meetings, or profit from a new recruit;
- Refuse to assist recruits with IBA and/or POL refund requests;
- Refuse to tell a recruit how you obtained their name and contact information.

Remember, although we have a great opportunity, it may not be for everybody. Therefore, don’t pressure recruits who have changed their minds about the Primerica opportunity. If a recruit chooses to leave, make sure the recruit feels good about you and Primerica, and ensure the recruit understands the IBA refund process.

If you nurture your recruits and properly lead and teach them to build their business compliantly, you will be making a good investment in your future and the success of your business and your downlines.

## TurboApps IBA – Doing It Right

When using the TurboApps IBA, **always provide the recruit with the “IBA Supplement” at the beginning of the data collection process**, and explain to the recruit that important contracts, disclosures and information are included in the booklet. Remember to hand over the PDA to the recruit so he or she can review all screen text above the signature boxes before the recruit signs the screen.

In addition to a brief summary of the features of POL, the IBA Supplement also contains complete information about the POL refund and cancellation policy. Information about the Entry Methods is available to recruits on POL.

## Recruiting/Solicitation Guidelines For The Military

Primerica’s military requirements are tailored to comply with the directives of the Department of Defense, army regulations and state laws, and govern the:

- Solicitation of financial products and services;
- Recruitment of military personnel and DoD civilians; and
- Recruitment by representatives who are also military personnel or DoD civilians.

The DoD does not distinguish between Soliciting and Recruiting. DoD regulations on solicitation apply to the sale of our products (insurance, loans, LTC, PPL, Primerica DebtWatchers™, Primerica Secure Referrals, and securities), as well as the recruitment of individuals into the Primerica sales force.

Civilian Representatives must adhere to specific DoD regulations and state laws. Representatives who are Active Duty military or DoD civilians should also know these regulations, but they are not allowed to solicit or recruit on DoD property at any time.

If you are a civilian Primerica Representative and you want to sell our products and/or recruit on a military installation, you will need to obtain a “Solicitation Permit, which can be found on POL under Compliance > Forms > Military.” Applications for this permit require written authorization from Primerica Military Affairs.

There are strict guidelines Primerica Representatives who are on Active Duty, are DoD civilians, or are spouses of Active Duty or DoD civilian personnel must follow that limit who may be solicited and where. **If a Representative is on Active Duty, or is a DoD civilian, he/she may not solicit on military installations.**

Please refer to the Military Marketing section in the General Compliance Manual on POL, or contact Military Affairs through the Compliance Help Desk at 1 (800) 243-8901 to get a clear understanding of all solicitation guidelines and to ensure you are in compliance with DoD and Primerica policies.

## Military Job Fairs

Throughout each year, government authorities sponsor numerous events for the benefit of personnel departing government service, both military and civilian. These are excellent opportunities for recruiting quality individuals for Primerica. Representatives must meet certain criteria and obtain approval from Military Affairs to participate. Refer to the Military Marketing section in the General Compliance Manual on POL or contact Military Affairs for additional information.

Soliciting insurance on a military installation requires the following additional requirements:

1. Provide the potential customer with an evaluation form (DD Form 2885, available on POL); and
2. Inform the potential customer of the contact address and phone number for the state insurance department where the product is being sold.
3. Fill out the Military Disclosure Statement (all of these forms are contained in the *Military Sales Booklet*, available from distribution [and](#) on POL under Compliance > Forms > Military).

## Privacy and Information Security

### Privacy

**Privacy** means using customer information as described in our privacy notice *What Does Primerica Do With Your Personal Information*. When we respect a person's privacy, we disclose only in a way described in the privacy notice. In addition, when a customer opts out, "Privacy" requires we restrict use of customer information to the minimum.

Our privacy notice tells our customers how Primerica and its Representatives will use customer information. Continue to hand out privacy notices in any in-person situations and remember to click and drag notices from the Download Center when you use Primerica Ring®. Also, continue to disclose personal information only in ways described in the notice. Make sure you deliver the appropriate privacy notice based on the resident state of the customer.



## Opting Out

The privacy notice distributed in most states offers customers an opportunity to “opt out.” It says that when a customer opts out, we disclose only as necessary to process his or her product requests. When a customer chooses to opt out, the customer is telling you, as well as the company, that the customer does not want his or her information disclosed except as necessary to process his or her product application. Privacy law requires all Representatives to respect opt outs.

## Using the Opt Out Inquiry function on POL

The “Opt Out Inquiry” function located on My POL makes it easier for you to identify customers who have opted out. State law mandates that you not disclose, except as necessary, the information on any customer in certain “Opt In” states (CA, MT, MN, ND, NM and VT). But if your customer is in “all other states,” under the My POL tab, go to Client Info, then Client Inquiry, where you’ll see the Opt Out Inquiry function.

To use the Opt Out Inquiry function, simply type the name of the customer you want to check. A list of people with that name or similar names will appear. These are people who have opted out, that is, have asked that you and Primerica limit disclosure of their information to what is necessary to process an application or claim. The list will contain names of customers associated with your solution number as well as names of customers who are not associated with any solution number.

If your customer appears on the Opt Out Inquiry list, or you see the name of a customer you have assisted (possibly with an FNA, a Pre-Paid Legal application, a long term care application, Primerica DebtWatchers™, or a Primerica Secure™ referral), respect the customer’s privacy and do not disclose his or her information for any reason other than to process a requested transaction. Do not give information about a customer who has “opted out” to another Representative for solicitation purposes unless the customer has given consent.

For more information on the Opt Out Inquiry function, see Chapter 13.7 of the General Compliance Manual.

## ***Information Security***

**Information Security** means taking precautions to avoid anyone’s personal information being disclosed or used inappropriately or accidentally. Information Security is taking steps to avoid any other disclosure of personal information belonging to downlines, prospective customers and acquaintances, as well as customers.

## **Avoiding Unauthorized Disclosures, Breaches**

Every day there is added media and regulatory focus on protecting personal information. It is more and more important to avoid mistakes, carelessness and breaches of all kinds that could result in information being seen or used by people who don’t need to see it, including identity thieves. Be especially careful with social security and credit card numbers, as you could face legal penalties for failing to protect them.

Primerica Representatives are benefiting from technological upgrades to Primerica's systems that enhance security for personal information kept in Company systems. VBS and POL, including TurboApps programs, are all encrypted. However, when a Representative downloads information out of the encrypted environment into word processed documents, spreadsheets, etc., the encryption is lost. When paper documents are scanned, there is no encryption protection until the scanned information is uploaded into VBS. Do not keep scanned documents on any transportable media or on your PC unless they are encrypted.

If you use Primerica Ring®, protect spoken information by keeping your voice down and lowering the volume control to keep information between you and your client out of hearing range of others in your workplace. Also, be aware of files, whiteboard notes and other possible confidential information the Primerica Ring® camera may capture in a session. Redirect the camera or move the confidential information to a location where the camera will not permit others to see it.

Also remember, other than those sent using PrimericaMail to another PrimericaMail address, email messages are not encrypted. Avoid including full social security numbers, dates of birth and other personal information in email messages.

Additionally, except for TurboApps, information downloaded from your desktop or laptop to a PDA, iPod, cellphone or similar device is not encrypted. Address book information on cellphones, thumb drives, zip drives and similar devices cannot be

encrypted. Therefore, it is best to limit the information kept there. For instance, keep only a first name and phone number or initials and phone number. **Never keep social security numbers, outside of TurboApps, on any handheld devices.** Whether you lose your device because of carelessness or the act of a criminal, if it has social security numbers, dates of birth, or similar identifying information on it, you could be subject to fines, damage to your reputation and other problems. When you scan paper documents that include social security numbers, keep the scanned documents only in VBS, not on handhelds of any kind or on any transportable media that can be misplaced or stolen. Be sure to shred the papers after they have been scanned.

Insurance, securities and loan regulators at both the federal and state levels have privacy regulations intended to protect consumers against unauthorized access to confidential customer information and to protect against identity theft and fraud. Representatives need to follow all information security procedures, especially those regarding encryption, which are designed to ensure compliance with these regulations. Each Representative needs to be careful to encrypt all personal information kept in any electronic environment, whether it is in documents (text or scanned), spreadsheets, address books or elsewhere. Locking your car or the office door is not enough to protect the electronic information inside. *Regulators, as well as the people who entrust you with their personal information, expect it to be protected with encryption, in addition to door locks.* Remember, even if you are a victim of burglary, you are still responsible for the security of any personal information that has been

given to you. Encrypt before you close a document, file or record to avoid the possibility of needing to notify customers and regulators that you had a breach of unencrypted personal information – an embarrassment we all want to avoid.

If you have personal information in word processing, spreadsheets or address books on your desktop or laptop, Pointsec® encryption software is available for these types of non-Primerica systems. Encryption is not available from Primerica for information on transportable media, such as flash drives, thumb drives, zip drives and PDAs. Avoid keeping others' personal information on transportable media, whether in email messages, scanned documents, word processing or spreadsheets, as these materials cannot be encrypted, but they can easily be lost or stolen.

## Access to Information

Each Representative has access through Primerica's systems to the customer information needed by that Representative to service his customers' needs. The access is limited to authorized user IDs and passwords. Safeguarding customers' personal information is not only a good business practice but is necessary to meet regulatory requirements. Representatives are prohibited from sharing passwords with other Representatives or with anyone else. Any Representative that permits another person (spouse, best friend, recruit, employee, downline, etc.) to access customer information with a password not specifically assigned to that person permits unauthorized access to information, which is a breach of information security. See the General Compliance Manual Chapter 13.9 for more information.

You can, however, authorize POL User IDs and passwords for others who need to access customer information to service your customers' needs. See "Service Levels and Billing" under MyAccount on POL. Any person (recruit, downline, employee, etc.) who receives such authorization must read, accept and abide by the POL [Terms of Use for Authorized Users](#), including the restrictions on sharing passwords and other Information Security requirements.

The Information Security requirements can be found in Chapter 13.9 of the General Compliance Manual. Remember, the Representative giving this access remains responsible for the actions of his or her Authorized Users relative to Representative's customers.

## Reporting a Breach

If you are the victim of a theft or burglary, you believe you may have lost paper or electronic media that contains personal information, or you became aware of any actual or suspected unauthorized access to, or use of, personal information, report it immediately to the Compliance Help Desk at 1-800-243-8901. Prompt action on your part helps to ensure steps can be taken to protect the person's information and your reputation. Whenever a person's name and social security number is made available to unauthorized persons (even if inadvertently), you need to inform people of the breach so they can take action to protect themselves from identity theft, account fraud or other harm. By not keeping a person's social security number with his or her name, you may be able to save your customers and downlines from exposure to identity theft.

## Insider Trading

Everyone, including Primerica officers, directors, associates and registered representatives, is prohibited from trading in the securities (including equity securities, convertible securities, options, bonds and any stock index containing the security) of any company while in possession of material, non-public information (also known as "inside information") regarding the company. Inside information is any material, non-public information about a company.

Information is material if there is a substantial likelihood that a reasonable investor would consider the information important in determining whether to trade in a security; or the information, if made public, likely would affect the market price of a company's securities.

Information may be material even if it relates to future, speculative or contingent events. You should remember that non-public information could be material even with respect to companies that do not have publicly traded stock, such as those with outstanding bonds or bank loans.

Depending on the facts and circumstances, information that could be considered material includes, but is not limited to:

- Earnings announcements or estimates;
- Changes to previously released earnings information;
- Significant dividend increases or decreases;
- Writedowns and additions to reserves for bad debts;

- Expansion or curtailment of operations;
- New products, inventions or discoveries;
- Major litigation;
- Possible acquisitions, divestitures or joint ventures;
- Changes in analyst recommendations or debt ratings;
- Restructurings and recapitalizations;
- Unannounced government actions with respect to an issuer;
- Anticipated public offerings of securities;
- Extraordinary management developments;
- Extraordinary borrowing;
- Liquidity problems; and
- Confidential information obtained from a prospective borrower or in connection with underwriting or dealing activities.

Information is considered to be non-public unless it has been adequately disclosed to the public, which means that the information must be publicly disseminated by the company and sufficient time must have passed for the securities markets to digest the information. It is important to note that information is not necessarily public merely because it has been discussed in the press, which will sometimes report rumors. You should presume that information is non-public unless you can point to its official release by the company in at least one of the following ways:

- Public filings with the SEC; or
- Issuance of widely disseminated press releases.

You may not attempt to “beat the market” by trading simultaneously with, or shortly after, the official release of material information. Although there is no fixed period for how long it takes the market to absorb information, out of prudence a person aware of material, non-public information should refrain from any trading activity for at least two full trading days following its official release; shorter or longer waiting periods might be warranted based upon the liquidity of the security and the nature of the information. Notwithstanding these timing guidelines, it is illegal for you to trade while in possession of material, non-public information, including situations in which you are aware of major developments that have not yet been publicly announced by the issuer.

### **“Tipping” Material, Non-Public Information Is Prohibited**

In addition to trading while in possession of material, non-public information, it is illegal to convey such information to another (“tipping”) if you know or have reason to believe that the person will misuse such information by trading in securities or passing such information to others. This applies regardless of whether the “tippee” is related to the insider or is an entity, such as a trust or a corporation, and regardless of whether you receive any monetary benefit from the tippee.

You should refer suspected violations of this policy to your compliance officer or the General Counsel. In addition, if you:

- Receive material, non-public information that you are not authorized to receive or that you do not legitimately need to know to perform your employment responsibilities, or
- Receive confidential information and are unsure if it is within the definition of material, non-public information or whether its release might be contrary to a fiduciary or other duty or obligation

you should not share it with anyone. To seek advice about what to do under those circumstances, you should contact your compliance officer or the General Counsel.

Consulting your colleagues can have the effect of exacerbating the problem. Containment of the information, until the legal implications of possessing it are determined, is critical.

### **Penalties for Violations of the Insider Trading Policy and Laws**

In the United States and many other countries, the personal consequences to you of illegally trading securities using material, non-public information can be quite severe. Certain securities laws provide that an individual is subject to possible imprisonment and significant fines. These laws apply to everyone.

## Do Not Call

Any call placed to a prospective or existing client or recruit is subject to state and federal "Do Not Call" laws. Nearly every state has now implemented its own "Do Not Call" statute. In addition, the federal "No Call" registry has gained enormous popularity and currently includes over 100 million residential and cellular telephone numbers. More and more individuals are also taking advantage of the federal law that requires each business to maintain internal "Do Not Call" lists of people who do not want to be contacted by that particular business. The Primerica-specific "Do Not Call" list now includes over 100,000 telephone numbers of individuals who have stated that they do not want to receive calls from Primerica.

We have carefully examined the requirements of each law and have developed policies to govern every telephone call you place for your Primerica business. Our policies are designed to provide you with easy-to-understand rules that, when followed, will protect you from unnecessary risks of non-compliance. In order to help you manage risks associated with the DNC regulations, a simple two-rule policy addresses everything you need to know to stay in compliance.

## Primerica's Telephone Solicitation/ Do Not Call Policy

### Step 1 – Warm Market Calls

Includes: friends, family and personal acquaintances, as well as anyone who has given you written consent.

- Always check the **Primerica-specific** "No Call" list on POL prior to making a warm market call.
- If you are calling someone living in Alaska, Colorado, Connecticut, Florida, Indiana, Kansas, Kentucky, Maine, Nevada, New Jersey, New Mexico, New York, Oregon, Pennsylvania, Tennessee, Wisconsin, or Wyoming, **you must check the entire "Do Not Call"** list on POL (also available through Gryphon Networks).

### Step 2 – Cold Calls

Includes: Any individual who you do not personally know. Includes referrals you do not personally know.

- Always check the **entire** "Do Not Call" list on POL or Gryphon Networks prior to making the call.

Checking the "No Call" list is easy. Primerica offers you two powerful tools to assure that every call you make complies with state and federal DNC laws.

## POL – Log on to POL > Compliance > Do Not Call

- Key in the telephone number(s) you want to check or the area code/exchange for which you would like to generate a listing of numbers.

- The computer will check or pull the list you need and determine whether you can place a call (depending on the type of call you want to make – warm market or cold market) to a specific number or not.

## Gryphon Networks

- This is a real-time “Do Not Call” compliance tool.
- It is available by subscription only.
- To use the system, you simply dial the telephone number you want to call and the Gryphon system checks the “No Call” list for you in real time.
- The system will either block the call (if the number is on the DNC list) or allow the call to go through.

It is important to remember that some states, such as New Jersey, may have special rules regarding the DNC list and record keeping requirements that must be followed. For complete information refer to the Advertising Handbook on POL at Compliance > Advertising Handbook > Do Not Call.

## Important Information Regarding Wireless Telephone Numbers

In recent years, state and federal regulators have begun to implement restrictions against calls placed to wireless telephone numbers. Wireless telephone numbers can be added to any state and federal “Do Not Call” list. Please be sure to check the complete “Do Not Call” list on POL prior to placing any call to a wireless telephone number.

In addition, six states have implemented a ban on all calls to wireless telephone numbers. You are prohibited from placing any calls to any wireless telephone number in the following states: Arizona, Colorado, Louisiana, New Jersey, Texas and Wyoming. The only exception to this prohibition is if you have the express written consent of the individual you are calling. The “Do Not Call” list on POL has been updated accordingly so you will be in compliance with all state and federal “Do Not Call” rules if you check the “Do Not Call” list on POL prior to placing any call for your business.

## Sending Text Messages

Sending text messages to cell phones is treated as a solicitation call under federal law. For this reason, you are required to check the “Do Not Call” list to ensure the telephone number you will be texting has not been added to the list. In addition to “Do Not Call” rules, your text message must also comply with our internet advertising policies which prohibit the advertising of products. You are prohibited from sending any product-related text messages. For questions regarding our text messaging policy, please contact Heidi Baugus in the Marketing Advisory department at [heidi.baugus@primerica.com](mailto:heidi.baugus@primerica.com).

## CAN-SPAM

- You are prohibited from sending any email that contains securities-related content to anyone who is not securities-licensed, including clients, prospective clients or non securities-licensed representatives.
- You may only send email to one recipient at a time.
- Always check the recipient's email address against the "Do Not Email" list on POL prior to sending any solicitation email. If the email address is listed on the "Do Not Email" list, you are prohibited from sending solicitation email to that address.
- You must identify Primerica in the subject line of every email you send.
- Always add the following language to EVERY solicitation email you send: "This email contains commercial content and could be perceived as an advertisement or solicitation for a product or service. If you do not wish to receive future emails from this Primerica representative, please reply to this email address and indicate your desire to opt out of future emails from this Primerica representative. Your request to not be contacted will be honored by the representative within ten days of receipt of your email. If you do not wish to be contacted by any other Primerica representatives please copy us\_marketingadvisory@primerica.com on your reply email."
- You must update the "Do Not Email" list on POL immediately upon receiving response emails from recipients requesting that they not be contacted again.
- The "Do Not Email" list is located on POL. It is accessible in the same location as the "Do Not Call" list. Once you have logged onto POL, click on the "Compliance" tab and then click on the "No Call/No Email List" link that is located on the left side of the screen.
- Visit the Advertising Handbook for more information on email solicitations.

## Your Use of the Internet

All representatives must comply with Primerica's Internet policies, which contain important rules regarding your use of the Internet for your business. Here are highlights of the policy:

- Representatives may not create their own Primerica home pages or other Web sites to recruit, market or provide information about Primerica and its products.
- Use of the Primerica logo, name (including PFS), etc., in dialogues conducted in chat rooms, on message boards, blogs or via other similar means is not allowed. In addition, do not post messages to electronic bulletin boards, including blogs, that pertain in any way to your Primerica business, whether Primerica is mentioned specifically or not. These tools should be used only for your personal interests.



- Due to FINRA rules, you may not use the Internet to communicate with clients regarding PFS Investments business in any manner.
- You are prohibited from posting any securities content on the Internet or referring to, or discussing, your securities business online. This includes email, blogs and all Web sites (including third party Web sites and social networking sites). In addition, you are prohibited from making any product solicitations online. This includes advertisements for securities, loans, insurance, the FNA or any other solicitations of the products or services we offer. You may, however, post approved recruiting ads online, as outlined in the Advertising Handbook.

For additional requirements and details regarding Primerica's Internet policies, please visit the Advertising Handbook.

## Speaking Engagements and Seminars

### Booths

The use of display booths at job fairs or other exhibitions is a "public speaking" event that Primerica has a regulatory responsibility to review. You must receive prior approval from the Office of the General Counsel by filling out the *Booth Request Form* and sending it in via regular mail, fax or email to the Office of the General Counsel, Media Advisory Department. The most expeditious way to receive a response is to submit the form electronically.

Request forms received less than two weeks prior to the event may not be approved. Remember, an RVP or above must agree to be present during all hours that the fair or expo is in progress or that the booth is open.

### Seminars

Only experienced Representatives with the appropriate licenses may give seminars, university courses, etc., related to our products. A speaking engagement or investment seminar would include speaking at the Lion's Club or the Jaycees, a 403(b)(7) presentation to a group of individuals, a Payroll Deduction Plan (PDP) presentation to the staff of a local business, or any other meeting to which members of the public have been invited and insurance, variable annuities, long term care, securities or loan information is discussed. Even discussions with two or three unrelated people present may be considered a seminar.

In addition, if a third party mutual fund or variable annuity company plans to subsidize any costs of a seminar, you will also need to submit a *Cash/Non Cash Form*. See Section 1.8 of the General Compliance Manual for more information about Cash/Non Cash Compensation.

In order to facilitate a smoother process for the approval of speaking engagements, job fairs and Fast Start Schools, Primerica recently launched an online tool through POL to make submissions of the related request forms easier.

The online Speaking Engagement form can be found on POL under the "My POL" tab > Business Tracking > Other Client Tools > Speaking Engagements. Once you click on the "Speaking Engagements" link, you will be able to select your type of request. You should select the Speaking Engagement request for both speaking engagements and job fairs. Alternatively, if your event involves a Fast Start School where a mutual fund or variable annuity wholesaler will be subsidizing the event, you should select the Fast Start School request. Either selection will take you to the appropriate form where you will be able to input information about your speaking engagement and then submit the form electronically.

**Note that the Marketing Advisory department no longer accepts any paper or faxed copies of these request forms.**

## Anti-Money Laundering

Money laundering is the process of converting criminally derived "dirty" money into "clean" money by using the financial system to mask the true origin of the funds. You must constantly be on alert to prevent customers or potential customers from attempting to use you and your business to facilitate money laundering or terrorist financing schemes. It is important to remember that money laundering laws apply not only to criminals, but also to financial institutions and their associates.

Money laundering is closely related to fraudulent activities such as check fraud, embezzlement and theft. Fraudulent activities may be reported in the same manner as money laundering. The Primerica businesses have implemented policies and procedures which prohibit money laundering activities.

There are three stages of money laundering.

1. Placement – involves the physical introduction of cash into the financial system. This stage is typically accomplished through cash deposits and purchases of cash equivalent monetary instruments.
2. Layering – involves separating the proceeds of criminal activity from the source through complex layers of transactions. The layers are designed to hamper the audit trail, disguise the source of funds and provide anonymity. This stage typically involves more than one financial institution.
3. Integration – involves placing the laundered proceeds back into the economy in such a way that the funds re-enter the financial system as apparently legitimate funds. For instance, money comes in as "dirty" and then the funds are redeemed and returned to the criminal as "clean."

In October 2001, President Bush signed Title III of the USA Patriot Act into law. Title III of the USA Patriot Act contains a number of important sections. We will focus on three.

## Section 352 of the USA Patriot Act

Section 352, which relates to FINRA Rule 3011, requires financial institutions to designate an Anti-Money Laundering (“AML”) Compliance Officer, develop AML policies and procedures, create and provide AML training, and conduct an independent review of the AML program. The AML policies can be found on POL.

## Section 326 of the USA Patriot Act

Section 326 requires all firms to collect certain identifying information and to verify the information collected from each new customer in order to establish a reasonable belief that the true identity of the customer is known.

As an independent contractor representative, you play an important role in collecting and verifying a customer’s identification. You have direct contact with the customer and are in the best position to gather information and detect suspicious activity.

In accordance with Section 326 and in the presence of a new customer, you are responsible for collecting all required customer identification information including the customer’s name, date of birth, physical address (PO Box is not accepted), and identification number (i.e., social security number for all U.S. citizens).

In addition, you must identify and verify the customer’s identification by reviewing an approved primary or secondary document and record the appropriate customer information in the CIP portions of the application.

Please refer to each businesses’ CIP policy on POL for a list of approved documents. It is important to remember an application will not be processed if the customer identification information is missing.

To ensure that neither you, your business, nor Primerica becomes part of a money laundering scheme, it is important for you to form a reasonable belief that you in fact know the true identity of your customer and that you adequately verify the identification of that customer.

## Identification of High Risk Businesses

Certain businesses may lend themselves more readily to potential criminal activity and are chosen for money laundering because they are cash intensive and provide a good cover for unlawful funds. Examples of a high risk business include check cashing facilities, casinos, parking garages, restaurants and art/antique dealers.

In addition, a wide array of organizations have been known for their affiliations with terrorist organizations and ability to divert proceeds from otherwise legitimate economic activity to terrorist financing. Traditionally, charities and not-for-profit organizations were formed to funnel aid to groups in the community and elsewhere in need of assistance. Although most are legitimate channels to help people in need, you must be aware that charities, not-for-profit and religious organizations are susceptible to misuse as conduits for terrorist funding and vehicles of financial fraud.

When completing a new account or policy application for a business or organization, make sure you complete all fields on the application and notate your file so that in the event you are asked, you can provide the following information:

- Full legal name of the entity;
- Legal type;
- Government issued identification number for the business;
- Address/place of business;
- Source of funds/capital;
- Investment objective/reason for policy;
- Nature and type of activity conducted;
- Years established;
- Your relationship to the individual opening the account and the entity;
- Role of individual in the organization who is completing the application;
- Names of individuals and their titles authorized to make decisions regarding the account.

If the customer refuses to answer any of the above questions, provides false or expired identification, is unable to provide sufficient documentation to verify either their own identity or the identity of the organization or lacks general knowledge of the business activities, please contact the Anti-Money Laundering Compliance Officer by calling the Compliance Help Desk at 800-243-8901.

## Section 356 of the USA Patriot Act

Section 356 requires suspicious transactions or activity which involves the following to be reported *immediately* to the AML Compliance Officer:

- Funds or assets of at least \$5,000;
- Funds from illegal activities;
- Hides funds or assets derived from illegal activity;
- Evades money laundering;
- Intends to be used to support a terrorist or terrorist organization;
- Has no business or lawful purpose; and
- Is not the sort of business in which the customer would normally be expected to engage.

It is important to “reasonably” know who your customer is before you can identify whether their activity is suspicious. If a transaction does not make sense in light of what you know about the customer, then take the approach that the activity is suspicious. Do not, under any circumstances, “tip off” the customer by telling them that their activity is suspicious. When reporting potential suspicious activity, you are not obligated to determine whether a crime has been committed, nor are you accusing your customer of wrongdoing. You are simply reporting the matter in accordance with the requirements of Section 356 of the USA Patriot Act.

Examples of red flags to look for include:

- Customer exhibits unusual concern regarding the Company's compliance with Government reporting requirements or its AML policies.
- Customer requests assistance in obtaining a loan by asking you to help create pay stubs or other documentation to verify income.
- Customer provides false or expired identification, or is unable to provide sufficient documentation to verify identification.
- Customer has a large sum of money to invest but is unwilling to provide the source of the funds.
- Unusual trading activity in a customer's account, such as large subsequent investments that cannot be explained by the customer's investment plans and abilities.
- Customer purchases a long-term investment, such as a mutual fund or variable annuity, and then redeems the account without regard to the losses incurred by sales/surrender charges.
- Customer has difficulty describing the nature of his or her business or lacks general knowledge of his or her industry.
- Customer provides an unusual social security number, such as 123-45-6789.
- Customer's investment is inconsistent with their income levels or objectives.
- Knowledge of misappropriation or theft of customer or agent funds.
- Customer attempts to pay cash or cash equivalent for more than one year's premium on a life insurance policy, and then within a few months cancels the policy and requests a full refund.
- Third party owner does not want you to contact the proposed insured.
- Customer changes owners, beneficiaries or third party payees shortly after purchasing the policy.

If the transaction does not make sense in light of what you know about the customer, protect your business and the company and report the activity. Remember – money laundering laws, penalties and fines apply not only to criminals but also to financial institutions and their representatives!

Should you have any questions concerning money laundering or to report suspicious activity, you may contact the AML Compliance Officer by calling the Compliance Help Desk at 1-800-243-8901 or send an email to [us\\_compliance\\_helpdesk@primerica.com](mailto:us_compliance_helpdesk@primerica.com). When reporting suspicious activity, make sure you include your information as well as the full name and/or account number(s) of the individual(s) whose activity you believe is suspicious.

## Customer Complaints

Primerica defines a complaint as any communication that expresses a grievance whether written or verbal. There are two broad categories of complaints of which you must be aware.

**Sales Practice Complaints** are usually against a Representative and allege wrongdoing during the sales process.

**Service Issue Complaints, which can be against the Representative, Primerica or an affiliated company,** concern how an account, policy, loan, or a request from a customer was handled and the timeliness of service.

## Service Issues Relating to Insurance, Securities and PPL Products

- Try to resolve verbal service issues by first calling the following companies, based on the nature of the complaint:
  - **Insurance – Primerica Life at 1-800-737-5596**
  - **Securities – Variable Annuities at 1-800-789-3662**
  - **Securities – Mutual Funds (incl. Scholar’s Choice) at 1-800-665-8677**
  - **Prepaid Legal – PPL at 1-800-426-9238**
- If a verbal service issue cannot be resolved by calling the appropriate number listed above, contact the Compliance Help Desk at **1-800-243-8901**.
- Written or email service issues for Securities and Insurance products and PPL must be forwarded to the OGC

and to your OSJ within 24 hours of receipt. Fax written/email complaints to **770-564-5903** for securities and loan complaints, and **770-279-5664** for life insurance complaints.

## Service Issues and Complaints Relating to the Loan Product and CitiCorp Trust Bank (NOT involving agent conduct)

- Try to resolve verbal service issues for the Loan product and CitiCorp Trust Bank (CTB) by first calling CTB at **1-800-997-8467**.
- Verbal complaints should be reported on the Report of Verbal Complaint Form available on POL, and then faxed to CTB at **301-696-5110**.
- Written or email service issues or complaints for the Loan product and CTB must be forwarded to CTB within 24 hours of receipt. Fax written/email complaints to CTB at 301-696-5110, and fax a copy to the OGC at **770-564-5903**.

## Complaints Relating to Agents’ Sales Practices (All Product Lines)

- Verbal complaints must be forwarded to the Consumer Relations Group of the OGC and to your OSJ within 24 hours of receipt.
- Verbal complaints should be reported on the Report of Verbal Complaint Form available on POL, and then faxed to **770-564-5903** for securities and loan complaints, and **770-279-5664** for life insurance complaints. This report form covers all Primerica product lines.

- Written or email complaints must be forwarded to the Consumer Relations Group of the OGC and to your OSJ within 24 hours of receipt. Fax written/ email complaints to **770-564-5903** for securities and loan complaints, and **770-279-5664** for life insurance complaints.

**If you have any questions regarding the above information, call the Compliance Help Desk at 1-800-243-8901.**

## Regulatory Contact

It is imperative that any written or verbal regulatory communication be immediately forwarded and reported to the Consumer Relations Group and your OSJ. This includes any communication from the following regulatory agencies:

- Departments of Insurance (DOI);
- FINRA;
- Securities and Exchange Commission (SEC);
- State Securities Departments;
- State Banking Departments;
- State Attorneys General;
- Any Law Enforcement Authority.

It is critical that all lawsuits, subpoenas, judgments, Better Business Bureau complaints, and other such legal documents be forwarded immediately to the Office of the General Counsel (OGC). These are time-sensitive documents and require prompt attention.

Do not attempt to address these complaints yourself. The Consumer Relations Group will help you.

If you are contacted by a regulatory agency to schedule an office examination or audit, you should immediately contact the Compliance Help Desk.

## Insurance

To fulfill Primerica's philosophy of "Buy Term and Invest the Difference" Primerica Life Insurance Company and National Benefit Life Insurance Company provide term life insurance. Term life insurance does not usually have cash value, and provides only a death benefit.

Before transacting insurance, Representatives must have either a Life or Life & Health license, and in most cases, an appointment from the life insurance company, as required by the respective state(s). When both a license and appointment (if required) are in place, Primerica Life or National Benefit Life will send the Representative notification that they may begin selling its life insurance products.

Non-insurance licensed Representatives can minimize the risk of engaging in an insurance transaction (e.g., soliciting, negotiating, effectuating) without a proper license by ensuring that they are always accompanied by a licensed representative when they meet with potential clients. The licensed representative at every training sale is the only person who may engage in any activity requiring a license. Unlicensed Representatives must not do anything that gives the impression that they hold a license, including completion of paperwork.

## Application Information

Insurance companies rely on the accuracy of application information in determining whether and at what rates to issue an application. You, as company Representatives, are responsible for helping ensure all of the information in an application is complete and truthful. This includes all the information about each proposed insured, including tobacco and nicotine usage. To help ensure accurate tobacco and nicotine use information is obtained when taking an application, you and the applicant will be reminded of the importance of answering questions accurately, as not doing so can be insurance fraud and lead to claims not being paid when contested.

The company also sends TermNow applicants emails advising when coverage is approved. These emails will include whether the applicant was approved for non-tobacco or tobacco coverage and again remind applicants of the consequences of providing false information.

Make sure both you and your clients are doing the right thing for themselves and their beneficiaries by answering all application questions completely and accurately.

## Conditional Coverage

It is crucial that you understand when Conditional Coverage may apply and when it does not. You also need to take the time to discuss this important provision with your clients because every time you take an application, you certify that you have done so.

Conditional Coverage may only apply to New Business applications. It **never** applies to Policy Change Applications or Reinstatement Applications. In order for a proposed insured to have Conditional Coverage with a new business application, **every** condition must be met. These conditions, which appear in your New Business applications under the section entitled "Conditional Coverage" include (with a few state specific variations):

1. *All of the information in the Application and any additions to the Application must be true and complete.* This means that any misstatement or omission in the application or any other application form will result in there not being Conditional Coverage.
2. *The proposed insured must be a standard risk according to the Company's underwriting rules.* This means that if the proposed insured completed underwriting, a policy would have been issued at a standard or better rate. If a proposed insured would have been declined or rated, there will not be any Conditional Coverage.
3. *All items concerning insurability (including, but not limited to, the results of medical examinations or body fluid studies and attending physician statements) must be received.* This means that every applicable item (e.g. results of any tests, including saliva, blood work or paramed exam, data base information, TeleUnderwriting interview, attending physician notes) must be received by the company or there is no Conditional Coverage.



4. *At least one full month's premium (but not more than the amount required to purchase \$500,000 of insurance for each insured) for the policy applied for must be received with the Application.* This means that unless the required amount of premium is paid with the application there is no Conditional Coverage. When you take an Application Cash on Delivery (COD) there is no Conditional Coverage. If taking a paper application, you should always consider taking an application COD if proposed insureds answer yes to any underwriting questions, particularly questions 2a or 2b. If you take a WebApp, you will be reminded when COD should be used.

Conditional Coverage is effective on the last date the company receives all the required items (a signed application, all the required items necessary to underwrite the policy, and premium). The Company must receive all the items needed for underwriting before there can be any Conditional Coverage. This is why it is important for you to be diligent in getting representative responsible requirements fulfilled.

If you have any questions regarding when Conditional Coverage may apply, please discuss them with your RVP.

## Replacements

Replacements continue to be a hot topic in the life insurance industry. Existing insurance, and whether it should be replaced, is a factor to be considered when suitability is discussed. That's why our Statement of Acceptability of

Replacements emphasizes the need for a knowledgeable, informed decision when replacing insurance.

When completing an application and the applicant has existing insurance, it is very important that you write the existing insurer's company name and address **correctly**. Additionally, if applicable, you must also make sure that the existing insurer's company name and address are completed correctly on the Replacement Notice if replacement is involved.

Several states require us to send to the applicant's existing insurance company certain information when a replacement occurs. You must provide the correct information on the application and the Replacement Notice, if applicable, so that we can avoid sending information to the wrong insurance company and delaying the processing of your application.

## Primerica's Statement of Acceptability for Replacements

"Primerica Life believes that a client's decision to replace existing life insurance is an important decision. To help clients make an informed decision, review with them their current goals and objectives. Discuss with them the benefits of their current policy and the proposed replacement policy, and the extent to which each policy helps them achieve their goals and objectives. Many of the factors clients should consider are provided in Primerica Life's brochure, *The Choice is Yours*, and the state-specific replacement notice. With this information, clients will be better prepared to make an informed decision."

State replacement regulations require every life insurance company to formulate and adopt its own acceptability statement for replacements. Our statement relies on you, the Representative, to make sure all replacements are preceded by a thorough, meaningful discussion of relevant factors for the replacement. If you have not done so lately, read *The Choice is Yours*.

Non-compliance with replacement rules is not only a violation of law, but also can raise questions of whether a replacement sale was in the best interest of the client. Each state's individual replacement rules and required forms are noted on POL at Compliance > State Specific Guidelines > Insurance.

## Elements of a Successful Policy Delivery

Delivering the policy is a vital part of the sale. If your client chooses e-delivery, you will not have to deliver the policy if it issues with no additional requirements.

When you take an application, you certify that you will deliver the policy (unless the policy is delivered electronically). You do this because until it is delivered, the sale is not complete. Even if a policy is delivered electronically, it is a good business practice to contact your clients to let them know when the policy is ready to be viewed, and to walk them through the Primerica portal process.

These are the elements of a successful policy delivery:

- **Immediate.**  
Deliver the policy immediately. This does not mean that as soon as it arrives in your office you must go immediately to the policy owner's home. It does mean that you should contact the policy owner, let them know the policy has been issued, and set up an appointment to deliver it. This is especially important if the policy is paid for by monthly pre-authorized checking (PAC) and the draft date is approaching. These customers need to know that we will begin drafting their bank account.
- **Explain the policy and premium schedule and review the sales illustration.**  
When delivering a policy, go over the basic provisions of the policy, including the premium schedule, payment mode and premium due dates. An illustration is included in the policy kit. It includes a description of the coverage and premiums. By explaining any premium changes that may occur, you will reinforce the importance of the second part of our message – Invest the Difference (you should be securities licensed).
- **Collect all outstanding delivery requirements.**  
You must collect all outstanding delivery requirements, such as amendments, and deliver them to the Home Office. Unless the company receives the outstanding delivery requirements, the application will close incomplete. This will result in a chargeback and is not a good way to serve customers nor to expand your warm market.

- **Obtain and send the signed Policy Delivery Receipt (PDR) and basic illustration signature page to the Home Office.**

Make sure you get the Policy Delivery Receipt (PDR) and Sales Illustration confirmation signed and returned to the Home Office. If you do not, you will receive a charge of \$25.00 for each one.

- **Explain the “free look” period.**  
During the policy delivery explain the “free look” period which is in the Right to Return Policy provision, which appears on the Face Page of the policy.

## **Banding**

Our term insurance pricing structure includes points at which the per unit cost for insurance decreases. These “bands” allow purchasers to obtain a “volume” price break. All Primary and Spouse coverage is added together to determine at which band the policy is priced (IBRs and Child riders are not included when determining the band). Currently, our bands are set at 150, 250 and 500 thousand dollars.

This structure may produce instances in which a policyowner could obtain more insurance for the same, or possibly lower, premium. For example, the initial annual premium for a 35 year old (NT) for \$240,000 in coverage under our Custom Advantage 20 year plan is \$427.80. The initial annual premium for the same applicant for \$250,000 in coverage is \$395.00. And, the same applicant can purchase \$275,000 in coverage for \$427.00.

When using our Quick Quote, if you encounter situations in which an applicant can purchase more insurance for the same or less premium, you receive the following message:

“The proposed coverage is close to our next premium rate level band. Consider increasing total coverage to next premium band or more to maximize premium value. Additional underwriting requirements may be necessary.”

Applications in which more insurance can be purchased for the same or less premium will be identified in our New Business Department, where they will be changed to provide more insurance.

## **TurboApps**

Among its many advantages, TurboApps afford you speed and accuracy in taking a life insurance application. It is important that all TurboApp users become very familiar with the process before taking their first live application. The TurboApps team has created detailed instructions of the procedures necessary before taking an application. Go to POL > Support System > Field Technology > TurboApps for everything you need to know.

A few of the most important things to remember include:

Some applicants may not be comfortable applying on the web. Always keep a supply of current paper applications and disclosure documents handy. If any applicants prefer to apply with a paper application, that is their right and you must accommodate them. If someone does apply with a paper application,

that same application must be submitted to the Home Office. Similarly, when an applicant completes and signs a TurboApp, that same TurboApp must be submitted to the Home Office.

The application which is submitted to the Home Office must be the same format (either paper or TurboApp) that was completed with and signed by the applicant. You **MUST NOT** submit to the Home Office an application that was “transferred” from another application, even if you a) have the applicant’s permission, or b) keep or send to the Home Office signature pages from the application that was signed by the applicant. Non-compliance with this rule may result in disciplinary action.

Be sure you have current copies of the *TurboApps Leave Behind Booklet* for each proposed owner, adult insureds and any 3rd party payor. Because this Booklet contains all state-required disclosure documents, it will change as individual state disclosures change. You can see a listing of the current version of the Leave Behind Booklet and print the current copy for your state from POL. Go to Support System > Field Technology > TurboApps Booklets. You, the writing representative, will be attesting that the current Booklet was provided to the appropriate parties.

Once the TurboApp has been accepted by the Home Office, the “Cash with Application” will be drafted from the account. To avoid any confusion, please make sure that all applicants and payors are aware that this will happen the day after they sign the WebApp.

TurboApps is a major advantage for Primerica Life, its representatives

and applicants. Please ensure you follow these and all other TurboApps procedures.

## Suitability

The suitability of insurance sales continues to be an important issue, particularly when it involves older individuals. Term life insurance is suitable for most people who need financial protection from a premature death. Allegations of unsuitable sales are much less likely to arise if customers understand the purpose of our insurance and how it fits their needs. The best way to accomplish this is through a Financial Needs Analysis (FNA). If an FNA is not provided, a thorough discussion of the product with the customer also works. The discussion should include all those factors that a Representative would normally discuss in making a sale. These factors include such items as:

- Purpose;
- Marital status;
- Number of dependents;
- Income;
- Ability to pay premiums, not only now, but in the future;
- Existing life insurance;
- Length of time insurance is needed;
- Amount of debt; and
- Net worth.

In your discussions, you must determine which policy series will be applied for: TermNow or Custom Advantage. The Custom Advantage series has higher face amounts and may offer insurance at a lower cost than TermNow, but requires more underwriting requirements including a paramedical examination and bodily fluid (blood and urine) testing.

## Preferred Rate Guide

If you think your client may qualify for a Preferred rate you must ask the following (Please note questions may vary by state. Please read the application questions carefully):

1. In the past five years, have you used tobacco in any form, including cigarettes, cigars or pipe smoking or tobacco chewing?
2. Are you employed in any hazardous occupation such as: military services, structural steel work, oil refining, explosives handling, mining, or logging?
3. Is your weight under the minimum or over the maximum for height in the Preferred Build Table?
4. Have you ever been treated by a physician or told by a physician that you had any indication of a cardiovascular disorder, diabetes, cancer or any other significant medical history?
5. During the past five years, have you ever been treated by a physician or told by a physician that you had any indication of high blood pressure; or, have you taken or been advised by a physician to take medication for high blood pressure?
6. Have either of your parents died as a result of cardiovascular illness or cancer prior to age of 65?
7. In the past three years, have you flown as a pilot, student pilot, or crew member of any aircraft other than commercial aircraft, or do you intend to do so?
8. In the past three years, have you engaged in, or do you intend to engage in, any hazardous sports such as skin or scuba diving; mountain climbing; hang gliding; parachuting; auto, motorcycle, snowmobile or boat racing?
9. During the past three years, have you been convicted of two or more moving violations of any motor vehicle law or had your driver's license suspended or revoked?
10. Remember to check the height and weight table.

Blood and urine testing and physical measurements are required for all applicants applying for Preferred. Upon receipt and underwriting evaluation of all criteria, the applicant may not qualify for Preferred rates (i.e. if elevated cholesterol). Preferred Plus underwriting criteria are more restrictive than Preferred criteria.

Please see Preferred checklist on POL at Support System > Protection Management > Life Operations > Life Forms.

## Continuing Education (CE)

Every state requires life insurance agents to complete continuing education (CE). It is vital that you properly attend and complete the required number of classroom hours, subject content and other state requirements. CE courses must be completed in their entirety, and in the manner specified and approved by the state. Do not risk your business by cutting courses or hours. Hours and cycles vary among states (1, 2, 3 or 4 years). Missing a deadline can result in non-renewal and expired licenses. Make sure no lapse in your ability to sell life insurance products occurs because of late completion of your CE requirements.

States' continuing education requirements include submission of evidence of completion of requirements. The burden of providing successful CE completion rests upon you at all times. Any representative found to have made a false declaration about meeting CE requirements will be subject to disciplinary measures from the company and the potential loss of all their licenses. Depending upon your home state, CE completion reporting may be accomplished by:

- Your CE vendor;
- You providing a certificate of completion directly to the Department of Insurance; or
- Keeping a copy of your certification of completion for the required record keeping period.

Many states allow you to choose either a classroom course or a correspondence course. You must verify that third party CE providers and courses are state approved. In a correspondence course, there is no class to attend. You may work at your own pace from anywhere, and you must pass an independently taken final exam, with a "disinterested third party" proctoring the exam for you. (The proctor cannot be connected by blood, marriage, employment or financial interest. **For example, business associate, secretary, office manager, upline, downline, employer, spouse or mother-in-law DO NOT QUALIFY**).

You may not utilize third party CE providers (or any other state mandated third party providers) for which other Primerica representatives or their spouses are involved in ownership, operations, or administration.

Proctors attest they observed you taking the test, and that you had no help or assistance on the exam. You must attest that you took the exam, without help. Final exam questions/answers must NEVER be shared with others.

Do not allow anyone to sign your name to an attestation, certification, affidavit, or other document relating to your CE exam. You should review the CE Guidelines, including the Third Party CE Guidelines, in their entirety on POL.

## Proprietary Information

An agent's obligation to protect all forms of client information is based upon a variety of responsibilities, including:

- A variety of state and federal privacy and security laws that govern representatives and all lines of business;
- Each client's expectation that his information will be kept private and will be protected;
- Laws such as federal and state computer theft and misappropriation of trade secret laws; and
- The agent's own contractual obligations with the Primerica Companies.

The potential repercussions of an agent's or a former agent's failure to carry out the responsibility to protect client information are varied. In a recent case, the SEC brought an enforcement action and found a violation of Reg S-P when former representatives of a broker-dealer retained possession of customers' non-public information to which they were no longer entitled.

It is essential to understand that these responsibilities, including a former agent's contractual obligations regarding client information, continue past the termination of the agent's contracts with the Primerica Companies. This applies to any agent whose agreements with the Primerica Companies are being terminated for any reason, including the agent's resignation.

Among other things, all confidential and proprietary documents and information must be returned to his/her upline RVP, OSJ or Primerica prior to leaving the company. A summary of these items is listed below, although this summary is not meant to be all-inclusive. You should carefully read Sections 9 and 11 of your Basic Agreement, which control these obligations and the types of documents that must be returned. Please also see Chapter 13.14 of the General Compliance Manual for additional responsibilities to return client information to the company.

When reviewing this summary, please note that the responsibility to return all proprietary documents and information includes the need to produce, among other things, all copies of computerized information regarding any current or former PFS agents, any recruits, any current or former PFS clients, any potential clients and any PFS products, including without limitation all information that may have been downloaded from Primerica Online at any time, from all of an agent's electronic media, such as his computers, computer disks, PDA's and similar devices. No such information may remain in the agent's possession after his/her affiliation with PFS ends.

## Confidential And Proprietary Information To Be Returned Immediately Pursuant To Agreements

- All files concerning current clients, former clients, individuals whose business is being sought, agents and recruits, including without limitation those containing non-public information (e.g., social security numbers or tax identification numbers, product information, medical information, financial information);
- All other documents, lists and information concerning current clients, former clients, individuals whose business is being sought, agents and recruits;
- All hard copies of any information concerning current clients, former clients, individuals whose business is being sought, agents and recruits, as well as all computerized client and agent/recruit information that is stored in an electronic format (e.g., desktops, laptops, computer disks, flash drives, external hard drives, CDs, DVDs, PDAs and all other similar devices);
- All Rolodex cards, holiday lists, etc. containing client or agent information;
- Promotional audio and video tapes;
- Any and all unused promotional and sales related materials purchased from PFS;
- Pending trades information;
- Office trade blotters and office trade reports;
- U4 forms and amendments for representatives in the office;

- Agent applications, licensing packs, Independent Business Applications and money orders of PFS applicants;
- All PFSHMI pending loan applications;
- Customer complaints;
- Any and all copies of the proprietary information described above whether duplicated by use of copier, handwritten, typewritten, scanned, typed into computer, etc.

Upon determining that a representative is leaving Primerica, RVPs should immediately request these items. If necessary, get your OSJ involved. Should either the RVP or the OSJ be unsuccessful, please call Vince Zugay in Unfair Competition at 770-564-5164.

## Fraud Awareness

Fraud is defined as any falsification of information or misrepresentation by an applicant, customer, representative, employee or any third party with the intent to convert company assets or those of its customers for personal or third party gain or benefit.

It is a federal crime to knowingly transfer or use, without lawful authority, a means of identification of another person with the intent to commit, or to aid or abet, any unlawful activity that constitutes a violation of federal law, or constitutes a felony under any applicable state or local law.

It is important to understand that illegal conduct in any form may cost the Company lost profits, adverse publicity and reputational damage.



Acts constituting fraud may include but are not limited to:

- Any dishonest or fraudulent act;
- Forgery or alteration of any document or account;
- Forgery or alteration of a check, bank draft, or any other financial document;
- Misappropriation of funds, securities, supplies, or other assets;
- Impropriety in the handling or reporting of money or financial transactions;
- Profiteering as a result of insider knowledge of company activities;
- Disclosing confidential and proprietary information to outside parties;
- Disclosing to other persons securities activities engaged in or contemplated by the company;
- Destruction, removal or inappropriate use of records, furniture, fixtures and equipment.

Early identification is critical to preventing incidents of suspected wrongdoing. Therefore, representatives are required to immediately report any incidents of suspected wrongdoing, suspicious or illegal activity that comes to their attention, whether committed by a customer, third party, agent or PFS employees.

PFS provides numerous avenues to report incidents of suspected wrongdoing, suspicious, or illegal activity, including:

- **PFS Corporate Ethics Hotline** – PFS agents may report incidents to the PFS Corporate Ethics Hotline, which is maintained by the Office of the General Counsel by calling 888-554-2374.

- **PFS Compliance Help Desk** – Agents may also report incidents of wrongdoing to the Compliance Help Desk, which is maintained by the Office of the General Counsel. Agents can contact the Compliance Help Desk via email at [US\\_compliance\\_helpdesk@primerica.com](mailto:US_compliance_helpdesk@primerica.com); may call at 800-243-8901; or fax information to the Compliance Help Desk at 770-564-7668.

## Ethics and Professionalism

Proper business etiquette requires you to behave professionally with your clients, downlines and fellow Primerica representatives and to maintain professional business relationships within the community. This means treating people as you would want to be treated. When people behave respectfully towards each other, they contribute to a vibrant, exciting business opportunity.

Be especially aware of the following issues regarding ethics and professionalism in your business dealings:

## Sexual Harassment

Sexual harassment is a violation of law and Company policy, and will not be tolerated. Sexual harassment is conduct of a sexual nature that is not mutually desired. It is unwanted and uninvited. Whether or not the behavior is perceived as unwanted or unintended is viewed from the perspective of the recipient of the behavior, not the actor. Therefore, representatives should understand the types of behavior that could be construed as sexual harassment. If a

representative believes that he or she has been harassed or if a representative is made aware of such a complaint, he or she must immediately report all such claims to the Company and also notify his or her upline.

Sexual harassment has been defined as:

- Unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature;
- Conduct either implicitly or explicitly used as a term or condition of employment, the basis for personnel decisions affecting such issues as career opportunities and advancement opportunities; or
- Conduct which creates an intimidating, hostile or offensive work environment

The Primerica Sexual Harassment Policy can be found on POL at Compliance > General Manual > Chapter 2.3.

## Diversity

One of the strengths of Primerica is the diversity of our sales force. Taking pride in this diversity and respecting the views of others is one of the many great things about our Company. Our continued success depends on developing and maintaining good working relationships based on mutual respect. As a Primerica Representative, you represent the Company to your recruits, customers, employees and competitors. It is vital that you set a tone of mutual respect and sensitivity to the beliefs and backgrounds of others.

Remember:

- You may be working with people from different cultures who have different views than your own;
- Primerica provides equal opportunity regardless of race, color, religion, sex, national origin, sexual preference, disability or age;
- We all have a responsibility to respect and be sensitive to differing beliefs;
- We all have a responsibility to create a positive and supportive environment for everyone.

Federal, state and local laws prohibit discrimination and harassment on the basis of religion, race, national origin, sex, age, disability, military status, and in some instances, sexual preference. These prohibitions, depending on your jurisdiction, may apply to your dealings with customers, employees, vendors, recruits, and fellow Representatives.

All Representatives must follow these laws. Primerica maintains a zero tolerance policy toward discrimination of any kind. Primerica will not discriminate on the basis of race, color, age, religion, sex, national origin, disability, marital status, veteran status or any other characteristic protected by applicable law, and will not engage in any form of prohibited harassment.

The Primerica Diversity Policy can be found on POL at Compliance > General Manual > Chapter 2.2.

## Ethics Hotline

Maintaining ethical standards is critical to maintaining world-class business standards. If you suspect a possible violation of a law, regulation or Primerica ethical standard, you should promptly contact any of the following:

- Your RVP;
- Your OSJ;
- A Compliance Officer in the OGC;
- Ethics Hotline: 1-888-742-5500;
- Ethics Email: [ethics@primerica.com](mailto:ethics@primerica.com).

The Ethics Hotline offers you live operator assistance during regular business hours (EST) and an after-hours automated voice-recorded system. Either way, you may choose to remain anonymous.

## Improper Sales Tie-Ins

Primerica representatives must NEVER “tie” the sales of one Primerica product to the sale of another Primerica product. To do so is against company policy and may be in violation of federal antitrust laws.

For example, you should never state or imply to a client that, in order to qualify for a \$.M.A.R.T. Loan™, he or she must purchase life insurance.

Each Primerica representative is licensed and approved separately for each product Primerica offers. The sale of each product is an individual event, separate and distinct from the sale of any other product a properly licensed Primerica representative may offer.

## Primerica DebtWatchers™

Primerica DebtWatchers™ is an online software program that allows your clients to use information from their Equifax Credit Report™ to create a customized Fast Pay Plan for paying off their debts. The Fast Pay Plan uses a Debt Stacking concept that identifies an ideal way for your clients to pay off their debts. Primerica DebtWatchers also allows your clients to receive email alerts regarding whether your clients are paying their debt in accordance with their Fast Pay Plan. Additional Primerica DebtWatchers features include: Score Power® Reports that allow your clients to see their FICO® score and Equifax Credit Report, an interactive FICO Score Simulator to show your clients how their actions may impact their FICO score, Equifax credit monitoring, email or text message alerts regarding balance changes in your clients’ Equifax credit file, projected debt payoff dates and interest savings and identity theft insurance.

### Primerica DebtWatchers Certification:

Before you may sell Primerica DebtWatchers, you must complete the Primerica DebtWatchers Certification training available in the Primerica DebtWatchers section of the DebtSolutions tab on Primerica Online. The Primerica DebtWatchers Certification training gives an overview of Primerica DebtWatchers and its product features, how your clients can enroll in the product, and compliance guidelines regarding the sell of the product. You will be required to agree to an attestation at the conclusion of your Primerica DebtWatchers Certification training that certifies

that you understand the features and compliance rules concerning the product. You must not sell Primerica DebtWatchers until you receive a Primerica DebtWatchers Certification Approval letter from the Primerica Home Office. No commissions will be paid to representatives who sell Primerica DebtWatchers prior to receiving a Primerica DebtWatchers Certification Approval letter.

### **Primerica DebtWatchers Purchase Method:**

Your clients will be able to purchase Primerica DebtWatchers online at [my.primerica.com](http://my.primerica.com). You will be able to give your clients a Primerica DebtWatchers Client Brochure that will help to introduce Primerica DebtWatchers to your clients and allow you to include your solution number on the back panel.

Your clients will need to input a valid solution number during their online Primerica DebtWatchers enrollment to purchase the product. Therefore, it is important that you include your solution number on the back of the brochure to ensure that your clients are able to enroll in the product and you are properly credited with the product sales.

### **Additional Key Compliance Items Concerning Primerica DebtWatchers™:**

#### **You Must Not:**

- Perform any of the following activities (or similar acts) while selling Primerica DebtWatchers: 1) negotiate terms of credit with your clients existing or new creditors, 2) attempt to improve or repair your clients' credit reports, credit scores or other factors related to your clients' credit rating or represent to your clients that you can improve or repair your clients' credit report, credit score or credit rating, 3) make payments to your clients' creditors (either using client funds or other funds) or 4) otherwise act as an intermediary between your clients and their current or future creditors.
- Use your clients' credit report or credit score information to determine whether the clients should purchase or apply for other financial services at Primerica or other financial institutions.
- Discuss or share your clients' personal identification information (such as social security number) or credit information (such as their credit score) with other Primerica representatives (including your upline), a client's spouse, family members, friends or other third parties.
- Personally collect any form of payment during the sale of Primerica DebtWatchers. Equifax will collect all payments for Primerica DebtWatchers.
- Hold yourself out as an employee or independent contractor of Equifax or express any other contractual or employment association or affiliation with Equifax.

## You Must:

- Fax all written Primerica DebtWatchers™ complaints alleging representative misconduct to the Office of the General Counsel at 770-923-4239  
Attn: Primerica DebtWatchers Complaint.
- Complete a Report of Verbal Complaint Form and fax the completed form to the Office of the General Counsel at 770-923-4239  
Attn: Primerica DebtWatchers Complaint, to report verbal complaints of representative misconduct.
- (For RVPs) Maintain a copy of all client complaints regarding allegations against the RVP or his or her downlines and the resolution of the complaint for a period of 37 months.

## Compliance Reminder for Primerica DebtWatchers Utah Residents:

Residents of Utah are required to receive certain disclosures prior to their purchase of the Primerica DebtWatchers product. The required disclosures are contained in the *Primerica DebtWatchers Access Agreement* found online at [my.primerica.com](http://my.primerica.com). It is important that you are familiar with the Utah disclosures and are prepared to answer questions concerning the disclosures for Primerica DebtWatchers sells to residents of Utah.

## Primerica Secure™ Auto and Home Referral Guidelines

All representatives with a solution number can refer clients to the Primerica Secure Auto & Home Referral program. Some states require a personal lines or sub-agent license before receiving personal referral fees in the Secure program. Be sure to check POL for licensing requirements before participating in the program.

Representatives participating in the Primerica Secure Referral Program are referring clients to a licensed and appointed P&C agency: Answer Financial Inc.'s Insurance Answer Center. As a referring representative, you must not perform any activities that require a license or appointment. Even if you have a license, you must not perform any of these activities. In addition, you must not use customer information except for approved purposes.

Below are guidelines for what representatives may and must not do.

### DOs

- Do distribute approved brochures, the brochures contain important disclosures about who the licensed agent is for the transaction;
- Do make sure the customer knows that you do not represent any of the P&C companies listed on the brochure;

- You may use customer information (name, phone number and address) to follow up with referral clients who have not completed their applications, you may advise them that if needed information is missing, they cannot complete an application until the information is provided;
- Comply with the additional privacy restrictions in new Operating Guideline No. 15 designed for this program.

#### **DON'Ts**

- Do not give the impression that you represent any of the P&C companies;
- Do not obtain or quote rates;
- Do not explain, discuss, or interpret existing or needed coverage;
- Do not analyze policies;
- Do not give opinions or recommendations as to coverage;
- Do not counsel, urge, or advise a client to buy any P&C policy or to buy from a particular company;
- Do not indicate that coverage is bound or likely will be issued.

## **Reminder of Important Compliance Requirements**

Important policies are posted in the "Guidelines & Policies" section under the Compliance tab on Primerica Online. Please review these policies again and make sure that you and your downlines are fully complying with them.

To find these policies, click on the "Compliance" tab on the Primerica Online home page. You will then see the

"Guidelines & Policies" tab (underneath the Compliance tab and toward the center of the page). Click on "Guidelines & Policies" and you will then see a listing of policies at the left side of the page. You will need to scroll down to see all of the policies. The posted policies include:

- **Confidentiality of Information** – This policy sets forth minimum standards for Representatives for the safeguarding of Primerica's confidential and proprietary information. This policy should be read in conjunction with the **Privacy** policy, pertaining to personal, client information, and with **Information Security** policies set forth in Chapters 13.8 through 13.14 of the General Compliance Manual;
- **Fair Lending** – This policy summarizes various non-discrimination laws that apply when an individual applies for credit;
- **Foreign Corrupt Practices Act** – The Foreign Corrupt Practices Act ("FCPA") makes the bribery of foreign officials anywhere in the world a crime. This policy summarizes the requirements of the FCPA;

Please also review information regarding the **Ethics Hotline**, which can be accessed from the main Compliance page by clicking on the link in the section entitled "Ethics Hotline."

Finally, please review Section 4.9 of the Advertising Handbook for information regarding **Electronic Communications**.

Contact persons are identified in these policies and can assist you with any questions you may have.

## How to Handle Legal Documents

From time to time, our representatives receive subpoenas, garnishments, Better Business Bureau complaints and other legal documents relating to both former and current representatives or clients. These documents often provide very short windows in which to respond and penalties may be imposed upon Primerica for tardiness in responding. It is therefore important to forward these matters to the Home office as quickly as possible so that they can be properly handled.

**PLEASE REMEMBER:** As soon as your office receives notice of a garnishment, a subpoena, Better Business Bureau complaint or any other legal matter, you should immediately fax it to Primerica's legal department. The fax number is 770-923-4239.

If you have any questions about whether or not a document you receive falls into this category, call the Compliance Help Desk at 1-800-243-8901.

## Representations for All Primerica Representatives

1. I am aware that I'm required to comply with all laws, regulations and rules applicable to my activities as a Representative and Primerica requires me to comply with policies and procedures set out in the Primerica Compliance Manuals and the agreement that I have with each Primerica company.

2. I will not engage in any undertaking of any sort that violates Primerica rules, policies, any part of Primerica agreements, or applicable laws.
3. I have reviewed, and am currently in compliance with, the following Primerica policies: Confidentiality of Information; Fair Lending; Foreign Corrupt Practices Act; Anti-Money Laundering; and Records Management. I have also reviewed the information regarding the Ethics Hotline and the information regarding Electronic Communications.
4. I have immediately notified the Office of the General Counsel regarding:
  - All felony and misdemeanor charges brought or convictions entered against me since I completed my IBA (or prior agent agreements);
  - Investigations or inquiries to which I am a party concerning any aspect of my Primerica business that involves any alleged violations of federal, state or local law or regulation or any FINRA regulation;
  - Any bankruptcy I have filed or any unsatisfied judgment or lien to which I am subject;
  - Any regulatory or consumer complaints within 24 hours of receipt (and I have provided any statement required by the OGC).

And I have provided all statements and documents requested by the company and timely updated applicable licensing paperwork.

5. I have reported, in writing, to the Office of the General Counsel and to my upline RVP and OSJ:
  - Any client complaints;
  - Any incidents of misconduct I became aware of;
  - Any activity I suspected was criminal, fraudulent, or suspicious.
6. I understand that all client personal information must be kept confidential and not shared or used for any non-Primerica purpose without the client's permission.
7. I understand my responsibilities in reporting any incident of loss, theft or breach of security of any client, Representative or recruit personal information.
8. I agree to notify the Compliance Help Desk within 24 hours if there is any actual or suspected loss, theft or breach of client, Representative or recruit personal information.
9. I acknowledge that it is my responsibility when required, to accurately collect and verify the identity of each of my clients and to report any unusual or suspicious activity regarding my clients or representatives.
10. I understand that I am an independent contractor and not an employee of any Primerica company and that I earn commissions from selling Primerica approved financial products and services.
11. I understand the following:
  - I am not permitted to engage, and will refrain from engaging, in any employment, opportunity, investment, contractual relationship, or other commercial enterprise or undertaking that conflicts with my Primerica agreements or with the products and services offered by Primerica and its affiliates;
  - I am not permitted to solicit and will refrain from soliciting any person to invest in or contribute money to any security, business, opportunity or other commercial enterprise or undertaking, except for those offered by Primerica and its affiliates and which I am authorized and/or licensed to sell; and
  - Any failure to strictly adhere to these restrictions constitutes a violation of my Primerica agreements and may result in the termination of my affiliation with Primerica.
12. I have not and will not:
  - Receive commissions or any other compensation related to any Primerica product except from a Primerica company;
  - Pay commissions or any other compensation related to any Primerica company directly or indirectly to anyone;
  - Pay or receive any money or other compensation to or from any person for recruiting others into the business;
  - Receive compensation for referring Primerica clients to non-Primerica products or services;



- Pay compensation (or a finder's fee) to any person or business for the referral of clients to Primerica;
  - Become appointed with another insurance company (while being appointed with Primerica Life Insurance Company) unless authorized by Primerica;
  - Become associated with or sponsored by another mortgage company besides PFSHMI or another lender;
  - Become affiliated or registered with another financial services company besides PFSI;
  - Sign a recruit's name to an IBA; Tie the sale of one Primerica product to the sale of another Primerica product or the acceptance of an IBA;
  - Offer for sale any products or services that have not been approved by Primerica for me to sell;
  - Improperly handle fees or other money, and I have not and will not accept cash or borrow money from a client (whether my client or not), agent or recruit;
  - Make unsubstantiated earnings claims or any earnings claims without the use of proper balancing disclosures; and I have not and will not misrepresent the business opportunity;
  - Solicit any individual to purchase any non-Primerica financial product or service, including soliciting investments for real estate (even among friends);
  - Participate in, give a testimonial for or endorse any non-Primerica business, event, seminar, speaking engagement, etc., at which I identify myself as a Primerica agent unless I receive express permission from Primerica to do so;
  - Hold an interest in any corporation (S, C, LLC) or other business entity which includes the following words in the name of the business: "financial services", "investments", "insurance", "mortgages", "loans", "properties" or "real estate", which I have not disclosed to Primerica;
  - Solicit and/or receive money from anyone outside my immediate family to invest in my non-Primerica business, if I own a non-Primerica business.
13. Unless I have received specific written authorization, I have used and will only use the presentations, advertisements, letterhead, business cards and any other marketing or recruiting materials in the medium in which they are posted, and that appear in Primerica's current Advertising Handbook or that are currently available from the Primerica Distribution Center or on POL.
  14. I understand that if I plan to use any material that has not been pre-approved by the Home Office, I must obtain approval from the OGC prior to my use of that material.
  15. I understand that I must comply with Primerica's Internet policies for any business-related online activities, including my use of personal web sites, or social media web sites, to discuss Primerica products or the business opportunity.

16. I understand that I must recruit and mentor downline recruits and Representatives fairly and honestly.
17. I am familiar and comply with the Agent Certification section of the Life Insurance Application.
18. If I am a Representative who is active duty military or does business on DOD property, I have not and will not:
  - Recruit or solicit military personnel junior in rank;
  - Conduct Primerica business during duty hours or on military installations except in accordance with the guidelines in Chapter 9 of the General Manual/Military Marketing;
  - Recruit or solicit on military installations (if active duty military);
  - Engage in solicitation of "mass", "group" or "captive" audience while on government property;
  - Make cold calls to military or DOD personnel on an installation.
19. In conducting life insurance presentations, I understand that I must:
  - Ask all questions on the application(s) of all clients;
  - See each proposed adult to be insured;
  - Record all existing insurance information accurately and indicate which are to be replaced and complete life insurance replacement forms as required by law;
  - Provide all disclosure forms to the client as required by law;
20. I understand I must promptly and properly report any death claim and must handle any death benefits in accordance with company policy.
21. I understand that I may not allow my Primerica DebtWatchers™ clients to use my email address when purchasing Primerica DebtWatchers™.
  - Tell clients not to cancel any existing life insurance policy prior to the new policy being issued and delivered;
  - Never sign an application or any other form for a client, even with the client's permission;
  - Not conduct insurance business, including collecting data for an FNA or providing FNA results to any client in a jurisdiction where I am not insurance licensed;
  - Not discuss securities or investments unless I am properly securities licensed;
  - Promptly notify the Company of any client's refusal to accept a policy at delivery.

**PART 2:**  
**LENDING CONTINUING**  
**EDUCATION**

The PFSHMI Annual Continuing Education is required for loan certified representatives, as required by the Primerica companies.

# LENDING CONTINUING EDUCATION

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## **Annual Training – The Annual Compliance Meeting**

PFSHMI provides a loan continuing education component in the Annual Compliance Meeting (“ACM”) provided by Primerica to all Base Shops each year. In order to maintain eligibility to conduct the loan business on behalf of PFSHMI, each Primerica Representative must participate in the Debt/Loan Portion (referred to as “Debt CE”), of the ACM each year by December 31.

## **Licensing Requirements**

The Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (“the SAFE Act”) requires all mortgage loan originators to be state-licensed through the Nationwide Mortgage Licensing System and Registry (“NMLS” or NMLSR”). The SAFE Act requires state-licensed mortgage loan originators (MLOs) to complete a minimum of 20 hours of pre-licensing education, pass both the national and state-specific written examinations, and to take continuing education courses to maintain licensure. In addition, the SAFE Act requires MLO applicants to submit fingerprints for FBI criminal background and applicable state background checks and to authorize the state regulators to obtain independent credit reports. Additional information about the SAFE Act and its application to PFSHMI’s representatives can be found on POL under the Debt Solutions tab.

Representatives should ensure that renewals of existing licenses are timely submitted to allow Representatives to remain in business. State regulators can pursue regulatory action, including fines, against anyone who continues in business after their license has expired.

## **Home Mortgage Disclosure Act (HMDA)**

The Home Mortgage Disclosure Act (“HMDA”) requires lenders taking mortgage applications to record and report information about applicants to regulators. Representatives are required to assist Citicorp Trust Bank, fsb (“CTB”) in the collection of this data. The HMDA information that Representatives are required to record on behalf of our lenders is found in the \$.M.A.R.T.® Loan Worksheet.

Representatives are required to ask clients to provide the HMDA information listed below concerning their ethnicity, national origin/race and sex to complete the worksheet. Inform the client that the federal government requests this information in order to monitor compliance with federal statutes that prohibit lenders from discriminating against applicants on the basis of ethnicity, race or gender. Read to the clients the information on the \$.M.A.R.T.® worksheet that appears under the heading “Information for Government Monitoring Purposes”.

If a client refuses to provide this information voluntarily, Representatives are obligated and required to record the data themselves, based upon their own observation. Representatives are only required to complete information relating to sex, ethnicity, and race to the extent that Representatives are able to determine this based upon visual observation or surname of the client(s).

If the client does not furnish an answer in every category, you must have the client check the box that indicates that he or she does not wish to furnish the information. You must then make a selection for unanswered questions in the ethnicity, race and sex categories based on your visual observations or surname of the client(s). If you submit a worksheet that does not provide an answer for ethnicity, race and sex, you will not be compensated on the loan if it closes. This is the ONLY EXCEPTION to the rule that Representatives may not alter a mortgage loan request after it has been signed by the client(s).

## Required HMDA Information

### ■ Ethnicity

There are only two reporting options under the "ethnicity" heading:

A client may report his or her ethnicity as "Hispanic or Latino" or "Not Hispanic or Latino." Hispanic or Latino is defined to mean a person of Cuban, Mexican, Puerto Rican, South or Central American, or other Spanish culture or origin, regardless of race. Only blocks printed on the original form can be used. A Representative or client cannot add additional blocks to the worksheet.

### ■ Race

The client may report his or her race as one or more of the five options listed under the "Race" heading. Respondents have the option of selecting one or more racial designations but they cannot add any additional blocks to the worksheet. Only blocks printed on the original form can be used. The options are:

#### **American Indian or Alaska Native\*.**

A person having origins in any of the original peoples of North and South America (including Central America) and who maintains tribal affiliation or community attachment.

**Asian\*.** A person having origins in any of the original peoples of the Far East, Southeast Asia, or the Indian subcontinent including, for example, Cambodia, China, India, Japan, Korea, Malaysia, Pakistan, the Philippine Islands, Thailand and Vietnam.

**Black or African American\*.** A person having origins in any of the black racial groups of Africa.

#### **Native Hawaiian or Other Pacific Islander\*.**

A person having origins in any of the original peoples of Hawaii, Guam, Samoa, or other Pacific Islands.

**White\*.** A person having origins in any of the original peoples of Europe, the Middle East, or North Africa.

*\*Categories for data on ethnicity and race as defined for federal statistics.*

### ■ Sex

A client may report his or her sex as female or male.

## Obligation to Take Application – Fair Lending Requirements

It is the policy of PFSHMI to ensure that all PFSHMI loan programs are administered without discrimination or bias of any kind. All Primerica Representatives are charged with knowledge of this policy, and all Representatives are obliged to make certain that every product being offered to the public is made available to all categories and types of persons, regardless of race, color, nationality or other protected characteristic, free from illegal discrimination.

PFSHMI is committed to compliance with the spirit and letter of federal and state fair lending laws, including New York Executive Law Section 296-a, and will remain updated regarding any changes made to Executive Law 296-a in order to remain compliant with New York's fair lending laws and guidelines. PFSHMI will also address both Executive Law Section 296-a and federal statutes in training provided to its New York Exclusive Representatives.

The federal fair lending laws, which are applicable to PFSHMI and its Representatives, are designed to ensure that all decisions relating to whether or not a person should be approved as a borrower are based upon objective factors relating to that person's creditworthiness, and are not based upon prejudice against a person based upon other characteristics.

"Prohibited Factors" that may not be taken into account when determining the creditworthiness of a particular individual include the following:

- Race or color;
- Religion;
- National origin;
- Sex;
- Marital status;
- Age (provided the client is at least 18 years old);
- The client's receipt of public assistance, including welfare, social security, government disability, etc.; and/or,
- The client's exercise, in good faith, of any right under the Consumer Credit Protection Act.

Representatives involved in the loan business on behalf of PFSHMI must refrain from any judgment about a client that might be based upon the Representative's own perception or bias concerning any of these Prohibited Factors. Representatives are obliged to make our products available to everyone, regardless of personal characteristics or differences.

The fair lending laws prohibit discrimination against individuals in any form. Three different possible approaches to discrimination are described in the rules, and each of them is considered illegal. They include:

## Overt Discrimination

This is the most basic type of discrimination and can be a simple refusal to do business with persons who exhibit one or more of the characteristics listed as Prohibited Factors.

## Disparate Treatment

There are more subtle forms of discrimination. If a company's policy calls for the equal treatment of all clients, but a company's Representatives work more diligently to assist certain clients to overcome credit history problems while other clients, particularly those exhibiting characteristics on the list of Prohibited Factors, are not provided with an equivalent level of assistance, the company will have engaged in disparate treatment. Be sure that you provide the same level of service to all of your customers.

## Disparate Impact

When a lender applies a policy or practice equally to all clients, but the policy or practice has a disproportionately adverse impact on members of a group exhibiting a characteristic on the list of Prohibited Factors, the policy or practice is said to have a "disparate impact," and is therefore illegal. For example, a lender can have a policy that provides that only clients with a net worth of at least \$50,000 can submit a loan request. This

policy would tend to exclude certain classes of people, many of whom might have characteristics noted on the list of Prohibited Factors. Even though the policy may be applied evenly, if its impact is disproportionately adverse on a protected group, it will be considered illegal.

## Avoid Discrimination

- Never discourage any client from submitting a loan request.
- Never make informal remarks that could be interpreted as discouraging submitting a loan request.
- Never behave in any way that deliberately discriminates against a client.
- Representatives must provide the opportunity to all interested individuals to submit a loan request.

## Equal Credit Opportunity Act or ECOA

This law prohibits discrimination on the basis of any prohibited factors in any aspect or at any stage of a credit transaction. ECOA applies to all lenders and all types of credit. ECOA prohibited factors include: sex; marital status; age; race; color; religion; national origin; receipt of public assistance income; and good faith exercise of rights under the Consumer Credit Protection Act (or applicable state law).

## Federal Disclosures Required by RESPA and Other Federal Laws

The Real Estate Settlement Procedures Act ("RESPA") is a consumer protection statute that requires that mortgage loan applicants receive certain disclosures at the time of application. These disclosures are intended to provide the applicant with information about the costs associated with obtaining a mortgage loan, who will service their loan, and the business relationship between the parties involved in the loan transaction. RESPA requires that PFSHMI and its Representatives provide certain disclosures discussed later in these materials at the time the application is taken.

Another important provision of RESPA concerns compensation. RESPA prohibits kickbacks, fee-splitting, and unearned fees in connection with a mortgage loan. In addition, other federal laws require certain disclosures.

All of your compensation for your loan business must flow through PFSHMI to protect your business. To ensure compliance with RESPA you should not accept or give payments or anything of value to third parties in exchange for any services they provide in connection with a loan. This includes not being compensated for receiving or giving referrals for your business. Remember that RESPA requires that you actively participate in assisting the client through the mortgage process in order to be eligible for compensation.

## Accuracy of Information

- All Representatives must fairly and accurately describe to a client the loan products being offered.
- All Representatives must ensure that the features of the loan are not misrepresented or overstated to a client.
- Representatives should not guarantee an interest rate or promise a lower interest rate than the lender can provide.
- Representatives must complete all parts of the loan worksheet and state-specific disclosures.
- Regarding loan worksheets, Representatives must:
  - Understand that a loan worksheet is a legal document;
  - Never alter a loan worksheet.
- Complete the entire worksheet and do not leave portions blank to be filled in later.
- Fax or deliver the completed loan worksheet to the applicable lender no later than the next business day immediately following the signature date of the client(s).



## Avoid Loan Fraud

When a false statement is made on a loan request in order to qualify a client for a loan, this is considered loan fraud. Making a false statement to a lender is a federal crime! When a client or third party assisting the client falsifies the client's income, the client's creditworthiness, the appraised value of the property securing the loan, or any other information that the lender uses in making a decision to lend, this is loan fraud. The Federal Bureau of Investigation (FBI), Department of Housing and Urban Development-Office of Inspector General (HUD-OIG), Internal Revenue Service, Postal Inspection Service, and state and local agencies are among the agencies that investigate mortgage fraud.

Representatives can avoid loan fraud by:

- Making sure all information provided on the loan worksheet or in any supporting documentation is completely accurate and not fraudulent, deceptive or misleading.
- Insisting a client provide complete and honest information on the loan worksheet.
- Reporting to the Office of the General Counsel any attempt(s) by the client or others to produce or create false or misleading loan worksheets and supporting documentation such as pay stubs or tax forms.
- Making sure the client or others have not created, arranged or produced for a client false or misleading supporting documentation.

- Not signing a loan worksheet or supporting documentation for the client.
- Making sure the loan worksheet is not altered after client has signed it. Any time a loan client makes a change to the loan worksheet after the signature, the client must initial such change(s) to reflect their approval of such change(s).
- Making sure the client has completed all portions of the loan worksheet (do not allow the client to leave portions of the worksheet blank).
- Never instructing a client to sign a blank loan worksheet (in order to complete it at a later time).
- Understanding that lying or assisting a client in lying on a loan worksheet is considered fraud and may result in criminal penalties.

## Getting Started

Before any Representative solicits a prospective client to discuss the loan products available through PFSHMI or to take a loan worksheet the Representative must be:

- 1) authorized and approved by the PFSHMI Licensing Department to conduct the PFSHMI loan brokering business; and
- 2) individually licensed or enrolled by the state regulatory authority and, if required, assigned to a licensed branch office.

# Individual Licensing Requirements and Office Licensing or Registration Requirements

## Licensing

Representatives must know and adhere to relevant state-specific licensing requirements. Licensing requirements vary by state.

The Nationwide Mortgage Licensing System (NMLS) is a web-based system that allows mortgage lenders, mortgage brokers, and loan officers to apply for, amend, update or renew a license online for all participating state regulatory agencies using a single set of uniform applications (MU forms).

As part of the NMLS licensing/renewal process, all representatives must attest electronically to the licensing or renewal package submitted to the NMLS. Attestation means that the representative must log on to the NMLS website, review the information on the licensing application and confirm that the information is accurate. PFSHMI must also sponsor your license via the NMLS. You will not be eligible to conduct mortgage loan origination activity without company sponsorship and an approved status from both PFSHMI and the applicable licensing jurisdiction. Also, it is important for representatives to provide both PFSHMI's Licensing Department and the applicable licensing jurisdiction with an active email address since electronic mail is becoming the primary means used to communicate questions or concerns regarding licensing or renewal applications.

## Sources of Information for Licensing Requirements

- Check the State-Specific Guidelines on POL for all loan programs licensing requirements.
- When in doubt, contact PFSHMI compliance staff or the Licensing Department at the Home Office.

## Other Licensing Issues

- All new recruits must be properly licensed before commencing HMI business.
- Newly appointed RVPs must comply with state laws and be properly licensed in advance before setting up a new office.
- Branch offices are required to be properly licensed where required by state law. The RVP or satellite office manager is ultimately responsible for the loan business at that location.

## Loans and Required Disclosures: Federal and State

**Affiliated Business Arrangement Disclosure ("AfBA").** The AfBA is required where a mortgage broker is referring the loan request to a related or affiliated entity. The AfBA must describe the business arrangement that exists between the providers of services.

**Fair Credit Reporting Act Affiliate Sharing Notice ("FCRA Notice").** The Lender must tell the applicant that it may share certain information with its affiliates by providing the applicant with a FCRA Notice.

## State Required Disclosures

- Representatives must comply with their applicable state laws. States have laws that require certain disclosures be given to the client at the time the loan request is taken.
- Applicable disclosure forms must be completed for the \$.M.A.R.T. Loan® and Primerica H.O.M.E. Loan™ programs.

## Regulatory Examinations and Requirements

Anyone in the sales force who is contacted by a state regulator regarding an examination or for any other reason must immediately contact the Compliance Help Desk in the Home Office at 1-800-243-8901 and explain the situation; you will be connected with someone who can assist you.

If a state regulator comes into the office unannounced and requests to review files or other documents, the RVP or branch manager should ask the regulator first to provide evidence of identity – either a business card or a government identification card with a photo. Upon satisfaction that the regulator is who he says he is, you should advise him that you intend to contact your Home Office for guidance and immediately place a call to the Compliance Help Desk. If necessary, the regulator should be politely asked to wait in the reception area until contact is made with the Compliance Help Desk. Persist in calling until contact is made with someone at the Compliance Help Desk who can provide guidance

and assistance. Take no action until guidance and support from the Home Office are received.

If a regulator asks that a questionnaire or other form be completed, the RVP must advise him that he or she is required to forward it to the Home Office and that it will be returned in the next few days. Immediately fax any forms to the Compliance Help Desk. Personnel at the Compliance Help Desk will confer with PFSHMI Compliance and will provide the appropriate guidance.

Representatives who are required to be licensed as both a Mortgage Broker (MB) and a Mortgage Loan Originator (MLO) in the state in which you are conducting mortgage loan business should become familiar with the laws and regulations governing mortgage brokers since your mortgage business may be examined independently and separately from PFSHMI. Laws, regulations and policies are typically accessible from the website of the state agency that regulates mortgage brokering activities. For MLO requirements, refer to the actual state specific guidelines.

## Record Keeping

The following records must be kept in each PFSHMI office in an individual PFSHMI client file folder:

- Copy of completed and signed Loan Product Disclosure Forms (including any Mortgage Broker Agreement).
- Copy of completed and signed Loan worksheet (whether the loan is approved, declined by the client or denied).

- Any correspondence from the lender or others pertaining to the client's loan and any correspondence to or from the client.
- A copy of any written complaint received from either the client or from the applicable state regulators.

Information on the applicable state law requirements regarding record keeping can be found in the State Specific Guidelines on POL at Compliance > State Specific Guidelines > PFSHMI.

## Representations for PFSHMI Representatives

1. If I hold an active real estate sales agent or real estate broker license, I understand that I may not participate in any purchase money loan program offered through PFSHMI (including actively taking loan requests, referring clients to other Representatives, or receipt of overrides) unless and until I place my real estate license into an inactive status.
2. I understand that I must not discriminate against any person for any reason in connection with receiving or submitting a mortgage loan request, nor discourage any one from submitting a request based on their race, religion, sex, marital status or any other prohibited factor involving the client.
3. I understand I must not accept any money from any borrower nor receive any fee or other thing of value from any person in exchange for taking or submitting of any mortgage loan request.
4. I understand I must not submit any loan request or refer any person to a non-Citigroup affiliated lender in exchange for compensation or any other thing of value.
5. In completing loan worksheet forms, I understand that I must:
  - Have the client complete all questions on the loan worksheet form;
  - Never participate in providing false or misleading information or encourage the client to provide false or misleading information;
  - Never sign a loan request or any form for a client;
  - Never assist a potential borrower in providing false or misleading supporting documentation;
  - Never ask a client to sign a blank loan request.
6. In discussing loan terms with a client, I understand that I must never represent to a client that they are receiving a better or different interest rate or term than the interest rate and term reflected on the documentation provided by the lender.
7. I understand that there are limitations to compensation payable to Representatives on any one \$.M.A.R.T. loan, including overrides and amounts retained by PFSHMI.

8. If I am a homebuilder or home improvement contractor, I understand that I may not participate in any purchase money loan program offered through PFSHMI (including actively taking loan requests, or receipt of overrides). In Massachusetts and Tennessee, home builders and home improvement contractors are prohibited from participating in PFSHMI's mortgage loan programs.

9. In completing licensing or registration application and renewal forms to obtain the initial and renewal licenses or registrations necessary to conduct the PFSHMI business, I understand that I must:

- Accurately complete all questions on any application or other form that is required to be completed;
- Never provide false or misleading information regarding my personal or business history, including failing to disclose pending or resolved criminal and/or civil matters;
- Never have anyone else sign an application or any form for me; and
- Disclose any civil or criminal matters in which I am involved.

10. Are you employed by, or do you receive any compensation from, or are you an owner or officer of:  
a) a bank/lender; or b) escrow or title company; or c) credit reporting agency; or d) real estate sales company?

If yes with respect to b) an escrow or title company, or c) credit reporting agency, I understand that I may not participate in the PFSHMI loan business unless and until I transition from that occupation, or have been further evaluated by PFSHMI.

If yes with respect to a) a bank/lender or d) a real estate sales company, I will provide all information requested for further evaluation by PFSHMI and may be restricted from participating in the PFSHMI loan business.

11. If I perform any one or more of the following real estate related services:

- a) A notary;
- b) Underwriting;
- c) Inspections/Surveys/Engineering;
- d) Closing Agent or Attorney; and/or
- e) Offer Private Mortgage, Hazard, Title or Real Estate related Credit Insurance,

I understand that I may not participate in any purchase money loan program offered through PFSHMI, including actively taking loan requests, or receipts of overrides. I also understand that I cannot perform any of the above services on behalf of PFSHMI; CitiMortgage, Inc.; Citicorp Trust Bank, fsb; or Citibank, N.A.

# Notes

**PART 3:**  
**SECURITIES FIRM**  
**ELEMENT**

The PFS Investments, Inc. Annual Firm Element Continuing Education is required for securities registered representatives, as required by FINRA.

## Retiree Issues

First of all, never recommend to a customer that he or she retire early or tell a customer that he or she has plenty of money invested and will never outlive the investment. With the population living longer, it is not unreasonable to expect that a 50-year-old may need 40 (or more) years' worth of retirement money. Second, don't ever recommend that a customer take additional risk (beyond his or her risk tolerance or that is otherwise unsuitable) to try to make up for assets that the customer does not have.

But what about people who have already retired? Recently, regulators have increased their scrutiny of representatives who solicit retirees, the products they recommend to them (especially as to suitability), presentations made to retirees individually or in groups and how representatives present themselves to seniors.

The primary concerns of the regulators are that retirees or seniors are being put into investments that:

- Are not suitable (e.g., recommending that conservative investors choose a more aggressive product in order to make up for shortfalls in existing retirement funds or that cost the investors more without providing substantial additional benefits);
- Are not sufficiently liquid or have additional costs to liquidate (i.e., a regular mutual fund is more liquid than a variable annuity; a money market mutual fund is more liquid than regular mutual funds or variable annuities);
- The seniors or retirees don't understand (especially fees and features of more complicated products like variable annuities);
- Are being sold as "guaranteed," either directly or by implication or confusion (e.g., a death benefit guarantee is not the same as a principal guarantee and reps should be sure all their customers understand the difference when a variable annuity is being solicited) unless one of the living benefit riders is being solicited—then, the rep should be sure to tell the customer that the guarantee only applies if the rider is purchased, as well as describing the features of the rider, its costs and its limits (i.e., what happens if the customer does not meet the contract terms to be eligible for the rider);
- Are being sold with the implication that the customer won't outlive the money, unless the variable annuity with the Lifetime Withdrawal Guarantee rider is being solicited.

In order to do the right thing for your senior or retiree customers, you simply need to do what you should do for all your customers: an adequate assessment of the customer's financial circumstances, needs and risk tolerance



level and recommend a product that is appropriate based on those facts. In addition to the information collected on the Investment Profile Questionnaire and Suitability portions of the New Account Application, you should also examine:

### **The sufficiency of the customer's retirement funds, i.e.:**

- How is the retiree meeting day-to-day living expenses like rent or mortgage payments, utilities, food and routine medical expenses, etc.?
- Does the retiree have sufficient liquid funds to handle emergencies (e.g., a money market, savings or other account sufficient to pay for expenses like home repair, car repair, minor medical emergencies, etc.)?
- Is the retiree planning an expenditure in the near future that would require use of retirement assets (and, therefore, liquidity) (e.g., planning to buy an RV, condo or house; to pay off debts, to help out children or grandchildren, etc.)?

### **Product-Specific Suitability Issues (general guidelines):**

- Use money market accounts for funds that need to be liquid (e.g., emergency funds, planned expenditures); money market accounts have little or no cost to the customer and have low market risk and a lower potential for return;
- Use mutual funds for mid- to long term needs; mutual funds tend to have higher costs than money market funds but lower costs than variable annuities and have more market risk and a higher potential for return;

- Use variable annuities when the customer needs one or more features of the product (e.g., tax deferral, death benefit guarantee, rebalancing, the Lifetime Withdrawal Guarantee) that are unavailable in other investment vehicles; variable annuities have the highest cost to the customer, which means the rep should weigh the value of any product features against the additional cost and higher cost to liquidate;
- Disclose all costs, fees, and limitations (e.g., taking a withdrawal from a variable annuity can adversely affect certain features that may have cost the customer extra) of each product type and specific investment;
- Educate customers about market behavior (e.g., even though the average rate of return for a particular investment may be 6% per year, the increase is not constant—instead, the value of the account moves up and down as the market moves). Remind customers that, just because an investment has performed at a certain level over a past period of time, there is no guarantee that it will perform at that level in the future (i.e., “past performance is no guarantee of future results”);
- Educate customers about how withdrawals may need to be adjusted to account for market performance (i.e., withdrawals taken when the market is down use more shares or units, which depletes the account more quickly; suggest that the customer have an alternate, more liquid source—like a money market account, CD or savings account—to draw on when the market is down);

- Educate customers about the effects of expenses (e.g., depending on the additional features selected in a variable annuity, the annual expenses could exceed any market gains and will reduce the net amount available to the customer—a return of 6% with annual expenses of 2.25% leaves a net return of 3.75%).

There are other issues of which reps should be aware. First of all, most industry experts recommend withdrawal rates of no more than 4-6%. When using hypotheticals, be sure that your customers or potential customers understand that past performance is no guarantee of future results. For those hypotheticals that show only gross returns, be sure to tell the customer that they are gross returns and have not been adjusted downward to take fees and expenses into account. Never suggest that a customer base his or her withdrawals on the past performance shown in a hypothetical. Also, when representing yourself to customers or the public, whether individually or at a presentation, be sure not to hold yourself out as any sort of retirement specialist or senior specialist.

**While the focus of this article has been retirees, the same concerns arise for others who have no regular income: students, the unemployed, the disabled, etc., so the guidelines for retirees can have broader application.**

## Trade Review Issues

The fastest way to get trades processed is to make sure all required paperwork is completed fully and accurately. Pay attention to the instructions. Attempts to expedite the paperwork by cutting corners will usually delay a trade's being processed rather than speeding it up. Remember to submit all trades by the close of business on the day following the day the trade is completed (Saturday is considered a business day). Submit all trades over \$25,000 via overnight delivery. The following paperwork must be sent to PFSI with each new sale:

- PFSI New Account Application (either mutual fund or variable annuity);
- For funds not serviced by PSS, include the Mutual Fund Application (either the voluntary Account Application or the Retirement Plan Adoption Agreement);
- The investment check, if applicable;
- Voided check or photocopy of investment check, if establishing the Pre-Authorized Checking (PAC) Draft Privilege;
- Customer Identification Procedures Form; and
- Other required paperwork (e.g., Disclosure and Authorization Form, TOA Form, etc.).

Submit all trades to the address shown on the New Account Application (may vary according to fund company or product).

## Other Important Reminders and Considerations

- Include only trades and related paperwork in envelopes containing trades. Do NOT include any other correspondence;
- Copies of all trades and related paperwork must be maintained in the RVP office and must be provided promptly to the RVP in those cases when a Representative places a trade in the mail prior to the RVP reviewing the sale;
- Trades submitted with incomplete information may be rejected and returned to the Representative; have a letter sent to the customer to confirm the customer's intent; or be delayed until all necessary information is received; and
- Be vigilant to prevent money laundering.

The following are some of the most common reasons trades are delayed or returned to representative unprocessed:

- Suitability or customer account record information on PFSI application is not complete;
- Required customer signatures are missing;
- Required application is missing;
- Initial contribution (personal check) is missing;

- Incorrect fund application used (for example, a voluntary application submitted for an IRA);
- CIP form is not submitted or does not contain all required information;
- Transfer of Assets forms are not fully and correctly completed or are not submitted with the trade;
- Required supporting documents are not submitted to complete the transaction (e.g., corporate resolutions, powers of attorney, certified copies of death certificates or court orders, etc.);
- Customer's physical address is not provided (if the customer wishes to receive his or her statements and other correspondence at an address other than his or her physical residence, a Form POL-31 may be completed, but the actual location of the customer's residence must be provided as a street address);
- Required forms are missing (for example, Disclosure and Authorization Form); and
- A minor is proposed to be a joint or individual account holder.

## Recently Noted Issues with Trades

- Reps write in changes to net worth on applications; in order to avoid this issue, be sure to calculate net worth properly before completing the application (remember, the customer's primary residence should not be used in the calculation);
- Inaccurate or inconsistent suitability information is provided; in order to avoid this issue and help the Home Office make a valid suitability assessment (including whether the customer has sufficient liquidity to meet emergency and short-term needs), be sure all information provided is true and correct. Ask your customer for information every time you complete an application or SCIF Form;
- Customers complain to regulators and reps don't have adequate documentation of why they made the recommendation they made; in order to prevent this issue, be sure to document every fact used to determine which investment to recommend, even if it's just on a note pad or in your calendar. Drop the page into the customer's file—you'll be glad you did if a complaint or regulatory issue arises.

**Reps who submit trades directly should make sure their RVPs get copies of the trades and any other paperwork sent with the trade for their files.**

## Variable Annuity Requirements

NASD Rule 2821 now requires that reps make additional disclosures to customers and prospective customers and to take additional suitability factors into account. To help you meet these obligations, we have revised our new account applications (including an expense comparison worksheet and a liquidity needs worksheet) and created a new brochure to leave with the customer. Go over these facts and figures with your customer in addition to completing the application and leaving the brochure. Don't just leave the brochure; take time to explain the fees and expenses and benefits of the recommended contract versus any existing contract.

The rule also requires training, so we created the Variable Annuity Certification Course, which must be completed by reps who plan to solicit sales of variable annuities. Most of you have already completed this training for the current year, but if you haven't and plan to solicit variable annuities, you need to complete it as soon as possible. It is available under the Field Instruction tab on Primerica Online.

## What Is A Replacement?

A replacement can occur in the following situations:

- When a fixed or variable annuity is cancelled or terminated and the funds are used to purchase another contract, or
- Only part of the funds are withdrawn from a fixed or variable annuity and these funds are used to partially or fully fund a new contract.

For example, if a PFSI representative recommends that a client redeem his free allowance from his PE II contract and use this money to purchase a new PE IV contract or to make a deposit to an existing PE IV contract, a replacement has occurred. Note that even if the client intermittingly deposits the funds in a money market account, CD or savings/checking account, before contributing them to the PE IV contract, the transaction will still be considered a replacement.

### What extra steps must you take when you have a replacement?

If a replacement took place, you must perform the following steps to comply with state insurance replacement laws:

### Variable Annuity Contract

1. A replacement must be disclosed by answering “yes” to the replacement questions in item 9, page 2 of the MetLife Annuity Application. A “yes” answer is required even if the annuity contract had been lapsed, redeemed or cancelled and the funds received, prior to you becoming involved in the transaction.

2. A state replacement form must also be executed by the client at the time the PE IV application is completed and mailed with the paperwork. This replacement form is included in the MetLife Investors variable annuity product kits.
3. If the replacement funds are or were invested in a retirement account, you must also complete Section Two, C of the PFSI – PE IV Qualified Forms Package to compare the replaced product with the replacing annuity.
4. If the replacement funds are or were invested in a non-qualified annuity, you must also complete the 1035 Exchange Forms included in the annuity packages.

### Fixed Annuity Contract

1. A replacement must be disclosed by answering “yes” to the replacement questions on the appropriate form, which are as follows:
  - MetLife Longevity Income Guarantee Annuity Application, Item 6, page 2,
  - MetLife Single Premium Immediate Annuity Application Item 5, page 2,
  - MetLife Flexible Premium Deferred Fixed Annuity Application Item 8, page 2, and
  - MetLife Single Premium Deferred Fixed Annuity Application Item 6, page 1.

A “yes” answer is required even if the annuity contract had been lapsed, redeemed or cancelled and the funds received by the client, prior to you becoming involved in the transaction.

2. A state replacement form must also be executed by the client at the time the PFS Fixed Annuity and MetLife Fixed Annuity applications are completed and mailed with the paperwork. This replacement form is included in the different MetLife Investors Fixed annuity product kits depending on your state.

It is essential that you become familiar with the insurance regulations and the state laws applicable to you as well as the potential penalties for non-compliance.

## PrimElite IV's Living Benefit Riders

The PrimElite IV Variable Annuity, issued by MetLife Investors USA Insurance Company ("MetLife Investors"), offers two optional living benefit riders, the Lifetime Withdrawal Guarantee or "LWG," and the Guaranteed Withdrawal Benefit or "GWB." These riders are designed to help your clients plan and invest for retirement. This article will discuss only the details of these living benefit riders and no other aspects of PrimElite IV. First, let's focus on the LWG, which provides the greater of the guarantees and is the more expensive of the two options.

## Lifetime Withdrawal Guarantee ("LWG")

The LWG provides protection against two significant risks that face just about every retiree, longevity risk and market risk. **Longevity risk** is the risk that a retiree will live so long that she runs out of money or "outlives" her money. Most people are living longer these days and are concerned about whether their retirement funds will last as long as they do. **Market risk** is the risk of a declining stock market, which can have a very real and detrimental effect on a retiree's income and lifestyle. The LWG provides distinct benefits that help protect a retiree against these risks.

The LWG provides **guaranteed income for life** if the client (i) delays all withdrawals until after age 59 ½ and (ii) limits withdrawals to 5% of the total guaranteed withdrawal amount ("TGWA") each year. As the guaranteed withdrawals are based on the TGWA, it is important for the client to understand what the TGWA is and how it works. According to the prospectus, the TGWA is the "minimum amount you are guaranteed to receive over time while the LWG rider is in effect." The TGWA starts at the initial amount invested, is increased by any additional investments, and is decreased by withdrawals in any contract year that total to more than 5% of the TGWA. Note that the TGWA is not decreased by annual withdrawals that are equal to or less than the guaranteed 5% per-year. The TGWA will appear on the client's statements, but it does not track the market value of the contract. To state the guarantee another way, a retiree is guaranteed an annual withdrawal equal to 5% of the TGWA

each year for the rest of her life, even if the actual value of the contract declines substantially due to poor market performance, provided that she can abide by the withdrawal restrictions.

Also, the LWG provides an automatic 5% annual increase to the TGWA for the first 10 years of the contract, provided that no withdrawals are taken during this period. If the client takes a withdrawal during this period, then the annual 5% increases to the TGWA stop at that point. This feature should provide some certainty and peace of mind to a soon to be retiree, who will get guaranteed increases to his TGWA no matter what the markets actually do. And remember, as the TGWA increases, so does the size of the guaranteed withdrawals.

In addition, the LWG provides a mechanism to capture the benefit of a rising market. If a client's contract value is greater than the TGWA on any contract anniversary (prior to the owner's 86th birthday), the TGWA will step-up to the actual value, locking in the portfolio gains and increasing the amount of the guaranteed withdrawals. This allows the owner to benefit from gains in the investment portfolio, while being protected from declines. (Note that in any year the client receives the automatic 5% annual increase to the TGWA discussed above, the investment portfolio would have to increase by more than 5% to have an effect on the TGWA.) Let's put these benefits in context with an example.

Suppose we have a 55-year old man who wants to retire in 10 years and who has a \$500,000 liquid net worth. If he invests \$250,000 into PrimElite

IV and elects the optional LWG rider, his TGWA would start at \$250,000 and would be guaranteed to grow by 5% per year for the next 10 years, provided that he takes no withdrawals. By the end of the tenth year, his TGWA would have grown to a minimum of \$407,223 (and could have been larger had the TGWA been increased by greater than 5% gains in the investment portfolio). When he retires at that point, the LWG would guarantee him a withdrawal of 5% per year, or \$20,361, for life, no matter how long he lives and no matter what the markets do, provided that he never withdraws more than this amount in any contract year. In other words, he can't outlive his money and the income derived from PrimElite IV is protected against market volatility.

It is important that your clients understand the cost of the LWG rider. The cost of the rider, which must be elected at contract issue, is .65% of the TGWA per year (or .85% for a joint life option). In the above example, the charge for the LWG would be \$1,625 in the first year, and would increase in subsequent years when the TGWA increases. Also, if a market step-up in the TGWA occurs, the charge for the LWG rider will increase to the charge then applicable to current annuity purchasers (up to a maximum of 1.10% for a single life contract and 1.5% for joint lives). Because of this potential increase in charges, the client is allowed to accept or refuse a market stepup, and the procedures for doing so are described in the prospectus. (Note that it may be in the client's interest to refuse a market step-up, if the size of the step-up does not justify the increase in the charge.)

Here's a quick summary of the actions that will affect the LWG's guarantees –

- **Any** withdrawal prior to age 59 ½ forfeits the guarantee of withdrawals for life. (A client, however, would still be guaranteed to withdraw up to 5% of the TGWA each year until the Remaining Guaranteed Withdrawal Amount ("RGWA") is depleted, even if the account value declines to zero.)<sup>1</sup>
- Any withdrawal in the first 10 years of the contract will stop the guaranteed 5% compounding of the TGWA. If a client takes a withdrawal early in the third year of the contract, then she forfeits eight years of 5% increases to the TGWA.
- Withdrawals in any contract year that total greater than 5% of the TGWA will reset the TGWA (and RGWA) to the market value of the account, if it is lower than the TGWA after subtracting the excess withdrawal. If the market value of the account is substantially lower, this could seriously reduce the income benefits available under the contract.

Now let's look at the details of the GWB.

## Guaranteed Withdrawal Benefit ("GWB")

In comparison, the GWB provides a lesser guarantee at a lower cost. The GWB guarantees the complete return of the client's investment over the life of the contract regardless of market conditions, provided that the client limits withdrawals to 5% per year of the total premium payments or "Guaranteed Withdrawal Amount ("GWA")." With the GWB, the remaining guaranteed withdrawal amount is known as the "Benefit Base," which starts at the initial amount invested, is increased by additional investments and reduced by withdrawals. If a client purchases the GWB and withdraws the maximum 5% each year without making any additional investments, then the annual withdrawals from the account are guaranteed to last 20 years. If the client withdraws more than the maximum 5% in any year, then the Benefit Base and future income payments could be reduced. The annual charge for the optional rider is 0.25% of the GWA. Because the GWB does not guarantee an increase to the guaranteed withdrawal amount, it is primarily a defensive tool to guard against a market decline. Also, note that the guarantee provided by the GWB is not diminished by withdrawals taken prior to the owner turning age 59 ½. The GWB, therefore, is the only suitable option of the two for a client that plans, at the time of purchase, to take withdrawals from the contract prior to age 59 ½.

<sup>1</sup> The prospectus states that the RGWA is the remaining amount guaranteed to be received over time. Essentially, the RGWA is the TGWA less actual withdrawals and any withdrawal charges.



Let's review what action will reduce the GWB's guarantee –

- Any withdrawal in excess of the 5% per-year guaranteed amount would reduce the remaining guaranteed withdrawals (or Benefit Base) to the contract owner, if the market value of the contract after the withdrawal is less than the Benefit Base.

## Suitability Concerns

Like any investment, these living benefit riders are not suitable for everyone. Following are some important suitability considerations that will help you make the right recommendations.

- Don't recommend a living benefit rider to a client whose circumstances suggest that he won't be able to abide by the 5% per year withdrawal restrictions. You don't want the client paying for a benefit that he won't be able to utilize. If the client is close to retirement, estimate the 5% per year withdrawal amount the client will be allowed. Does this amount, combined with other known retirement income payments, allow the client to meet his living expenses?
- If a client needs to begin withdrawals from his retirement funds prior to turning age 59½, your options are (i) recommend the GWB, or (ii) recommend the LWG only if you can set aside enough money outside of PrimElite IV to cover the client's expenses until he turns age 59 ½.

- Because the penalties assessed by the LWG for taking withdrawals prior to age 59 ½ or exceeding the 5% withdrawal amount can be significant, you should do your best to make sure the customer understands that he should have adequate liquidity outside of PrimElite IV to allow for unexpected expenses.

## Qualified Contracts and Required Minimum Distributions

If a client is transferring a qualified retirement account into the MetLife PrimElite IV product and elects one of the living benefit options, and the client is over age 70 ½ or becomes 70 ½ during the first year of the contract, the client may have to take the Required Minimum Distributions ("RMD") from the MetLife PrimElite IV contract.

For example, if the client is over age 70 ½ and currently taking the RMD distributions from a retirement account, verify client has taken their RMD for the current year prior to transferring to the MetLife PrimElite IV product. The MetLife PrimElite IV product with living benefit riders, has restrictions during the first year of the contract. MetLife has an automated RMD program which becomes effective in the second year of the contract, however, the client must complete the required paperwork for an annual RMD distribution. If the client does not enroll in MetLife's RMD program and the client's RMD program exceeds the allowed Annual Benefit Payment, the client's living benefit rider may be adversely affected.

If the client becomes 70 ½ during the first year of the contract, the client runs the risk that the RMD for that year may exceed the Annual Benefit Payment allowed, adversely affecting the living benefit rider.

This means that our clients must pay special attention to the first-year RMD and the allowable Annual Benefit Payment. Therefore, representatives should take care when recommending a qualified PrimElite IV and either of the living benefit riders to clients who are older than 70 ½ years, or who will turn 70 ½ years old within 12 months of purchasing the contract.

Please read the April 26, 2010 Field Bulletin 10-BD-023 or the MetLife PrimElite IV contract prospectus for details. Call the MetLife Investors Sales Desk at 800-789-3662, option 2, for specific requirements and additional information regarding the RMD program. Make sure you discuss this important issue with these clients.

### **Advise Your Client to Manage Withdrawals**

Having elected a Living Benefit Option, your client has taken a big step toward a more secure retirement. We recommend that you advise your client that when the time comes to begin withdrawals, she should actively manage and plan her withdrawals so that she won't have to take more than the allowed withdrawal, and reduce the guarantees.

### **Guarantees Based on MetLife Investors**

PrimElite IV's guarantees are based on the claims-paying ability and financial strength of MetLife Investors, an indirect subsidiary of MetLife, Inc., which is listed on the New York Stock Exchange (ticker symbol "MET"). Financial strength ratings for MetLife Investors are available on MetLife's website at [www.metlife.com](http://www.metlife.com) (click on "About Us" and then scroll down to "MetLife Ratings").

If you have additional questions, we recommend that you call the MetLife Sales Desk or review Appendix D of the PrimElite IV prospectus, which contains helpful examples of how the living benefit riders work.

### **Mandatory Reporting of Customer Complaints/ Settling Away From the Firm**

PFSI defines a complaint as any communication that expresses a grievance. FINRA (formerly NASD), the Financial Industry Regulatory Authority, and PFSI rules require that customer complaints be reported to the Firm so that the Firm may supervise the resolution of the complaint. **As soon as you receive a complaint, whether written or verbal, you must notify your RVP.** You must never attempt to resolve a complaint without notifying your RVP and PFSI. **A representative who attempts to settle a customer complaint without the involvement of the Firm is "settling away from the firm" and is subject to disciplinary action by FINRA and PFSI.** Even something as simple as reimbursing a customer for bank charges or postage can be considered settling away.

Furthermore, you should never require that a customer put a complaint in writing before you are willing to address it. If the customer wants to lodge a verbal complaint, accept the verbal complaint and notify your RVP. However, you must never refuse to accept a written complaint. In the financial services industry, complaints typically fall into two broad categories: Sales practice complaints and Service issue complaints.

- A Sales practice complaint is usually against the sales representative and accuses the company or a representative of wrongdoing during the sales process. All complaints regarding Sales practices must be reported to your RVP within 24 hours to be forwarded to the Consumer Relations Group of OGC. This includes written, emailed or verbal complaints. Verbal complaints regarding Sales practices should be documented by completing the Verbal Complaint form available through POL online. If the complaint is verbal, simply take the complaint and state that you must relay it to your supervisor and that Primerica will provide a response quickly. Do not try to settle the complaint yourself. Do not prepare a response or explanation unless requested to by OGC.
- A Service issue complaint can be against the representative, the Company, or one of our affiliate companies, such as MetLife or Primerica Shareholder Services. Service issues concern how the customer's account, policy or loan is managed and how requests from the customer's are handled and the timeliness of service. All written or email complaints regarding service issues must be reported to your RVP within 24 hours to be forwarded to the Consumer Relations Group of OGC. Any communication, whether a formal written complaint or a telephone inquiry, from a Department of Insurance, FINRA (formerly NASD), the Financial Industry Regulatory Authority, Securities & Exchange Commission, State Securities Departments, State Banking Departments must immediately be forwarded and/or reported to the Consumer Relations Group, and also reported to your RVP. Also, any communication from a State Attorney General, Better Business Bureau or other law enforcement authority must be immediately forwarded and/or reported to the Consumer Relations Group and reported to your RVP. Do not attempt to address these complaints yourself unless directed to do so by the Consumer Relations Group.

## **Borrowing Money from Customers**

At Primerica, borrowing money from customers is prohibited. Many reps do not realize that borrowing money from a downline or customer is a serious compliance violation. Often, representatives don't realize the danger of taking these loans because a close friend, family member or other Primerica rep is making the loan.

Our written procedures prohibit reps from borrowing money from customers. Chapter 9.1 of the Securities Compliance Manual provides that a registered representative who borrows money or securities from a customer may face disciplinary action up to, and including, termination of the rep's Agent Agreements. FINRA Rule 2370 prohibits registered representatives from borrowing money from customers. Furthermore, Operating Guideline No. 7 prohibits reps from accepting cash or borrowing money from a customer, rep or recruit.

This rule exists to protect your customers and you. Not following this rule can have dire consequences including fines, costly lawsuits (in terms of both time and money), termination of your Primerica Agent Agreements, sanctions by FINRA (up to and including a bar from the securities industry), or criminal charges and convictions. Don't put your licenses and your business in jeopardy. Don't borrow from customers.

**PART 4:**  
**SECURITIES ACM**

The Securities Annual Compliance Meeting is required for securities registered representatives, as required by FINRA.

## Outside Business Activities and Selling Away

“Why are we reading about outside business activities and selling away yet again as part of our training?” you might ask. The answer to your question is, “because it continues to occur and often takes forms not readily obvious to the average person.” Furthermore, securities-licensed representatives who sell away may cause great harm to the public, whether they intend to do so or not. Finally, representatives who sell away may be subject to severe regulatory sanctions, up to and including a bar from industry, according to FINRA’s Sanction Guidelines. Some activities involved in certain kinds of selling away (e.g., pyramid or ponzi schemes) may also be criminal acts and subject to criminal prosecution and incarceration or other punishment.

To help you identify and avoid selling away, you need to understand what selling away is and what forms it takes. “Selling Away” is soliciting or selling an investment not authorized by or through PFS Investments Inc. and which is not recorded on the firm’s books and records. That seems simple enough, right? All representatives have to do is make sure they only sell mutual funds, variable annuities and 529 plans on the approved funds list and not any other mutual fund, variable annuity, 529 plan, stock, or bond, right? Unfortunately, it’s not that easy. Selling only products on PFSI’s “approved” lists is a sure-fire way to avoid selling away. Identifying other “products” that are investments can be more, difficult, however.

An “investment” is defined as:

- An investment of money;
- Into a common enterprise;
- With the expectation of profits
  - Derived solely from the efforts of others.

Soliciting and selling investments include much more than just selling shares of mutual funds, stocks or bonds. It can also include participating in activities like buying and selling interests in:

- Mortgages;
- Notes;
- Businesses;
- Gold, silver or copper mines;
- Gold or silver bullion;
- Real estate;
- Oil and gas ventures, etc.;
- Telephone leasing deals;
- ATM leasing deals.

Participation is not just limited to soliciting or selling. “Participation” includes activities like:

- Making a sale;
- Referring customers;
- Introducing customers to the issuer;
- Arranging meetings between customers and the issuer;
- Participating in meetings between customers and the issuer;
- Receiving a “referral” or “finder’s” fee from the issuer.

Dishonest people often target groups like our sales force. Why would they do that? Our sales force consists of trained and experienced sales people who have access to investors and, in turn, to investors’ money. Our reps also have access to other reps and virtually everyone attracted to our business has

an entrepreneurial spirit. The dishonest people running scams will use these good traits and twist them to their own despicable ends.

Reps who become involved in these scams can help these scammers carry out their often illegal activities. Some common schemes we have seen include:

- **Real Estate Investments.** These investments are often sold as mortgages, notes, or shares in a corporation or partnership. The investments are often alleged to be going toward acquiring or repairing property or buildings or to develop land (e.g., into a golf course, theme park, etc.). Reps usually become involved because the owner or manager of the property seeks out and becomes friendly with the rep. He or she then discusses with the rep the possible streams of guaranteed income available to investors. The rep then invests and talks to others about the investment, the guaranteed return he or she is getting (and the dishonest person running the scam makes sure those he or she depends on to bring in other investors are receiving their guaranteed return). These people with whom the rep has spoken sometimes then invest and may even redeem shares from PFS Investments accounts to get the funds to invest! After a point, the scammer runs out of new investors, so he or she has no more money to pay existing investors and the scam collapses. Often, the scammer departs with large amounts of investors' money and leaves others (like the rep in this example) to answer to the rest of the investors. The bottom line is: if you want to invest your own money into

a real estate venture, go ahead as long as you are a passive investor (i.e., you don't do anything but make your investment and have no role in the business, regardless of how minimal.

- **Ponzi Schemes.** These are named after Charles Ponzi who ran an early, wellpublicized scheme. But his scheme was certainly not the first. Generally, there is an alleged product, service or business opportunity being offered. In fact, though, none exists or, if it exists, it does not meet the specifications presented to the investors. It promises and high rate of return and both the return and the initial investment are guaranteed. Later investors' money is used to pay earlier investors' returns. Investors are encouraged to convince other to participate. They claim that their enterprise is not subject to securities regulations (but it is). Ultimately, no new investors can be found and the scam collapses in on itself. The person running the scam often disappears and investors are left without anything.
- **Pyramid Schemes.** These are somewhat like Ponzi schemes in that there is no real product or service, later investors' money is used to pay earlier investors' returns, and investors are encouraged to convince others to participate. These schemes are often claimed to be tax exempt and are often marketed to affinity groups (e.g., members of a particular church or civic organization). They often require the investors to keep their involvement confidential except when soliciting others. Sometimes investors are drawn into the scam by the scheme's organizer offering to let them invest a reasonable amount, say \$5000. At the

end of whatever period the money is to be returned plus the guaranteed return, the scheme's organizer makes certain the investor gets his or her return. Then, when the investor wants to invest more, the schemer says something like "Hey, I wish I could take your money, but these investments are really sold in blocks of \$50,000. I just put your original \$5000 in with some other people's investments to make up to the \$50,000, but I don't have anyone else wanting to invest right now." The investor is disappointed, but the schemer has a plan. The schemer will then say something like, "I know what you could do! You could get with your friends or family or both and come up with the whole \$50,000. I'll bet they could use the extra return on their investments, too." Eventually, no money is available to pay investors and the schemer is long gone. Don't let yourself be drawn into these situations. Anything that sounds too good to be true probably is.

■ High Yield Investment Schemes.

These schemes typically guarantee high returns in a short period of time; require investors to pool their money to meet minimum investment amounts (in the millions of dollars); require investors to sign a confidentiality agreement to protect the exclusive nature of the investment; and provide investors with official-looking and –sounding documents, claiming to be from the International Chamber of Commerce, the World Bank or other legitimate or legitimate-sounding organizations. They claim to trade in things like World Bank paper, Federal Reserve notes, blocked fund letters, IMF issued bonds, medium term notes, Bills of Exchange, Bills of Equity,

standby letters of credit, prime bank notes or debentures, commercial bank credit lines, foreign currency, etc. These schemes are often identified as roll programs, bank-secured trading programs, high yield investment programs, leveraged pools of investments, bank debenture trading programs, currency trading programs, or off-balance sheet trading programs, among others.

Be aware of and alert to these kinds of schemes. Don't let yourself be fooled into risking your business. If you question the validity of a business opportunity or whether a business opportunity may create a conflict of interest with your Primerica business, call the Compliance Help Desk for assistance. We want to help you before you become involved in a scam (or involve anyone else in one). Please remember that a business opportunity or investing opportunity does not have to be a scheme or scam to be selling away. **ANY** participation in a non-PFSI investment transaction (other than buying shares yourself as a passive investor) could constitute selling away. Please remember that you are not alone; we are here to help you.

Remember that all outside business activities and employment must be reported on the Outside Business Activity or Employment Reporting Form located on Primerica Online under the Compliance tab, under Forms. These forms should be completed and submitted to the fax number on the form before taking on new employment or engaging in a new outside business activity. These matters must be disclosed on your Form U4 (we do that for you from the completed Form).



## Outside Business Activities that are Restricted or Prohibited

As you know, outside business activities (OBAs) must be reported to PFSI and to FINRA. To help you identify some of the OBAs that probably won't be approved or that may be approved with restrictions, we are including this section of additional reading in this year's ACM materials. Due to the nature of our business, certain activities in which representatives may wish to engage must be restricted or prohibited. The restrictions or prohibitions result from industry regulations or expectations or from Primerica's assessment of particular risks. These activities are covered in Chapter 10.3 of the Securities Compliance Manual and, while they represent some of the more common OBAs that come to our attention, are in no way meant to address all possible activities that may be restricted or prohibited.

### Restricted Activities

The following activities may be conducted in certain cases, subject to limitations outlined below. They are listed in no particular order.

*Creating an entity for Primerica business purposes.* If a representative creates an entity for Primerica business-related expenses and income, he or she may do so as long as:

- Only income and expenses for the Primerica business are run through the entity (no outside business interests).

- The entity must not be called "Primerica" or any Primerica Company's name.
- If you form an entity, your commission checks, etc., will still be sent in your individual name, not the name of your entity because Primerica contracts with individuals, not entities, and our regulators license individuals, not entities. Please note that there is no need to put your Primerica entity on your Form U4 as an Outside Business Activity.

*Acting as a director, trustee, partner, consultant or officer for any business, corporation or partnership of any type, including charitable, family and private organizations.* If a representative is acting in one of these capacities, he or she may continue to do so only if:

- No PFSI client (regardless of who their registered rep is) may be a partner or otherwise own a portion of the business.
- The representatives must not solicit investors for the business, corporation, or partnership.
- The representative must not be involved in or influence investment choices or decisions.
- The representative must not have control of or access to the organization's money or securities.

These restrictions do not apply when the business is owned solely by the representative or the representative's immediate family members\*.

Engaging in any non-profit or charitable fund-raising efforts. Representatives may not:

- Serve as treasurer (if the treasurer has sole signature authority on accounts or handles cash);
- Have control of or access to the funds raised;
- Be involved in any fund-raising activities that might promise a return or provide a return to an investor (for example, the sale of church bonds).

Acting in a fiduciary capacity.

Representatives are permitted to act as the trustee, custodian, executor, or power-of-attorney for people (or their trusts/accounts/estates) only if:

- They are related by blood or marriage (not “close personal friends” or “person who is like a mother,” etc.),
- The representative is responsible for their financial support.
- The representative requests and receives prior written approval to act in one of these capacities,
- The representative is not the writing rep on the account and does not receive overrides from the writing rep.

The exception to this rule is for an UGMA or UTMA account, 529 Plan account or Coverdell Education Savings Account for the representative’s own children.

Holding Accounts Jointly.

- Representatives may jointly own securities accounts with persons in their Immediate Family\*. These accounts may be held at PFSI or at other broker-dealers.

- Representatives may not jointly own securities accounts with persons who are outside of their Immediate Family\* unless they have a valid reason to do so and have received specific prior approval from PFSI.
  - Representative may only share in the profits and losses of the account in direct proportion with the representative’s financial contributions to the account when it is held jointly with someone other than immediate family.

Real estate investing (e.g., rental properties, commercial buildings, etc.), investing in other ventures and business opportunities. **Restrictions:** See Chapter 10.4 of this manual for additional requirements. The representative must not be involved with other investors unless they are the representative’s immediate family members. The investment must not be a real estate investment trust (REIT). The entity holding the investment may be any type of entity (e.g., sole proprietorship, partnership, LLC, or corporation). The representative may not solicit investors into the enterprise.

Personal Investments in Private

Securities. Representatives may make passive investments into private securities as long as:

- They request and receive approval using the Private Securities Transaction Form on POL.
- They are making personal investments for their own account.
- They receive no selling compensation for the transaction.

Appearing as an expert witness in any litigation or arbitration. Regardless of the nature or subject of the proceeding, representatives may testify only if you receive the prior written approval of the firm (via request to Field Supervision). Generally, requests to appear as experts in financial products or services related proceedings will not be approved.

Broadcasting, teaching, speaking or writing activities, regardless of whether the representative is compensated. Representatives must receive written approval from Media Advisory prior to participating.

Participating in an investment club. Representatives may not participate in investment clubs, even as members, once they become securities licensed unless the representative was in the investment club prior to becoming securities licensed. If that is the case, he or she may continue in that club as long as he or she does not:

- Solicit additional members for club,
- Suggest any investments to the club,
- Control the monies or accounts of the club,
- Be an officer in the club, or
- Make any investment decisions for the club beyond casting his or her vote on investments like all other members of the club.

\* Immediate Family, as defined by FINRA (formerly the NASD) includes only children, spouses, parents, parents-in-law, or other relatives whom the representative supports.

## **Certain OBAs are Prohibited and will NOT be approved:**

- Serving as Director of Finance for any non-profit organization
- Serving on the Board of Directors of a Credit Union
- Receiving money for referring Primerica clients to non-Primerica services
- Paying money (or a finder's fee) to any person or business for the referral of clients to Primerica
- Soliciting investments for real estate (even among friends)
- Being registered with another broker-dealer while also being registered with Primerica
- Any actions that are potentially in conflict with your Primerica Agent Agreements
- Providing tax, legal or accounting advice to any Primerica client concerning any Primerica product or issue related to a Primerica product
- Any corporation (S, C, LLC) or other business entity in which the Representative holds an interest must NOT involve any of the following and must not include these words in the name of the corporation financial services, investments, insurance, or mortgages

## Form U4 Updates

**Keep your Form U4 current! Do the right thing and avoid FINRA late fees and possible disciplinary action.**

To keep your Form U4 current, keep in mind that you are obligated to file an amended Form U4 any time that any information changes. This includes your home address, your employment (including when you leave your employer to become full-time with Primerica), when you engage in an outside business activity, or when you have a disclosure to report or change.

Reporting disclosure items promptly and correctly is especially crucial.

### Tips for Reporting Disclosures

Pay attention to what the questions ask. The timeframes listed in the questions are particularly important:

- “Ever” means since the day you were born and includes matters believed to be sealed, expunged, dropped, etc.<sup>2</sup> Just because the judge, your attorney, a law enforcement officer or other authority has indicated that a matter is resolved does not mean that it is not disclosable.
- Other applicable timeframes are much more self-evident:
  - “Within the past 24 months”
  - “Within the past 10 years”
  - “Do you have . . .” (i.e., currently)

<sup>2</sup> Many items believed to be sealed, expunged, dropped, etc., may not have been or may require documentary proof. Likewise, matters that some official (e.g., policeman, lawyer, judge) has told you are not reportable may, in fact, be reportable on your U4. When in doubt, report.

Read the question; answer what the questions ask. Disclosure questions must be reported within short timeframes and include:

- Felony charges and convictions;
- Certain misdemeanor charges and convictions (report them all to the Home Office; if an item is not reportable to FINRA, it will not be filed);
- Regulatory complaints and violations (including issues involving the DOI or other financial services regulators);
- Bankruptcies (update is required each time there is a status change);
- Current judgments or liens;
- Compromises with creditors;
- Customer complaints;
- Having a bonding company pay out as a result of your act or omission.

Please note that these disclosures must be **completed** within 30 calendar days of the event being disclosed. Please get the information to Securities Licensing—SRR as quickly as possible so we can help you avoid late filings and possible FINRA late fees (currently \$10 per day, up to a maximum of \$300).

Every registered representative is responsible for keeping his or her Form U4 current. OSJs, RVPs and satellite office principals are also responsible for providing guidance to registered representatives whom they supervise. Questions should be sent to: [us\\_srr@primerica.com](mailto:us_srr@primerica.com).

**Remember:** When in doubt as to whether a matter is reportable, go ahead and report it. Let Securities Licensing—SRR staff help you make the determination. Once you report, they will review the circumstances and help you. Don't risk late fees or possible disciplinary action. Let Home Office staff help you.

**Please also note:** FINRA's WebCRD system will not allow a firm to make a partial filing, so we must all have required information and documents in order to complete an amendment. If the amendment cannot be filed because it is incomplete, it may become late. Be sure to provide all the information you have about a possible disclosure (including court documents where applicable) and cooperate fully and quickly with Securities Licensing—SRR staff when they ask for additional information. This will help you avoid late fees or possible disciplinary action.

## Reminder about Unacceptable Business Practices

Most representatives never engage in any unacceptable business practice. We have, however, included the list here for those who may not have read that particular chapter of the Securities Compliance Manual. The list is not intended to be exhaustive, but is meant to identify specific prohibited issues for registered representatives. As a registered representative of PFSI, you are responsible for checking with your RVP, OSJ or the Compliance Help Desk before engaging in any activity that is questionable or that may be prohibited.

Please make sure you and your downlines are aware of these unacceptable business practices:

### General

- Lending to, or borrowing money or securities from, a client;
- Failing to follow PFSI policies or the investment related rules, regulations, or laws;
- Recommending or arranging loans for clients for the purpose of investing the proceeds in securities products;
- Opening a checking account or creating financial obligations in the name of PFSI;
- Failing to complete the annual continuing education requirements or any regulatory requirements;
- Failing to notify PFSI, in writing, of any changes to Form U4 (including work or home address changes, and pending law suits or criminal or regulatory actions);
- Failing to report to the PFSI Compliance Department any changes to Form U5 (Termination of registration form) from any previous employer;
- Engaging in selling securities, insurance, soliciting accounts, trading, etc. unless properly registered or licensed;
- Receiving gifts or entertainment from, or giving gifts to, customers or other persons with business dealings with PFSI of more than \$100 in value (total per year), except when they are the representative's family members or have some other close, non-PFSI relationship with the representative.

- Using PFSI's name in any way, or obligating PFSI in any way, unless specifically authorized to do so;
- Giving legal or tax advice to customers on behalf of PFSI;
- Giving credit to, or participating in arranging credit for, clients in violation of securities laws or regulations;
- Accepting cash from, or on behalf of, any customer for a securities transaction. No representative may use their own check to make a deposit in a customer account or to pay for a customer transaction;
- Failing to report any outside business activity that will generate compensation or that requires prior written approval from PFSI;
- Settling customer complaints or errors directly with customers without notifying PFSI;
- Encouraging a customer to file a complaint against another PFSI representative;
- Failing to promptly report the receipt of a customer complaint to the Office of the General Counsel;
- Setting up or maintaining an account with fictitious information in order to execute prohibited transactions;
- Depositing representative's personal funds or securities in customers' accounts;
- Rebating directly or indirectly to anyone commissions or compensation received;
- Splitting commissions, profits or other compensation from securities transactions with a person not properly registered and licensed;
- Charging fees to customers or customers' accounts unless expressly permitted by PFSI. All fees must be in the amounts set by PFSI;
- Signing a New Account Application as the Primary Registered Representative if you were not present during taking of the application and the solicitation of the trade;
- Making any loan of money or securities to any FINRA employee;
- Giving or allowing the giving of anything above a very small value to any FINRA employee.

## Sales Practices

- Submitting a trade without specific authorization from the customer;
- Using any deceptive or fraudulent means to cause a client to make any trade;
- Causing checks that are made out to customers to be mailed to the representative's home or office address, unless the customer is a family member residing at the same address as the representative;
- Using PFSI's or client's funds and securities for personal benefit;
- Using discretion on any account without written authorization and approval from the Office of the General Counsel;

- Contradicting or minimizing the importance of any information contained in a prospectus, or altering or highlighting a prospectus or other similar materials;
- Recommending a purchase or sale of a security without reasonable grounds to believe the transaction or recommendation is suitable for the client's needs and objectives;
- Misrepresenting the nature of, or risks involved with, a particular security;
- Sharing in the profits or losses in a client's account;
- Guaranteeing the client against loss;
- Providing any false, fictitious or misleading information to a customer;
- Signing documents on behalf of customers or any other individual, including other representatives, even if asked to do so;
- Accepting transactions from a third party without written authorization;
- Pledging of a client's securities as collateral without proper consent;
- Using negative response letters to obtain client consent to place trades in a client account;
- Charging fees or assessing other charges to customers or customers' accounts;
- Presenting advertising seminars or sales presentations in a deceptive or misleading way;
- Conducting seminars without appropriate approvals;
- Using titles, other than those approved by PFSI, to identify your affiliation with PFSI;
- Requesting or accepting signed but otherwise blank forms from customers in anticipation of a future transaction or for any other purpose;
- Parking of securities is prohibited. Parking is the placing of a trade for a customer and holding the investment in another customer's account to disguise the investment activities of the actual customer; and
- Using past performance as a guarantee of future investment results.

## **Prohibited Mutual Fund Sales Practices**

- Churning of a customer's account is prohibited. Churning is recommending or making transactions that are excessive in size and/or frequency given the client's circumstances;
- Switching is prohibited. Switching is typically short term in-and-out trading or switching from one fund family to another or within a family of funds and is done to increase commissions;
- Failing to explain breakpoints or failing to use letters of intent or rights of accumulation when total of client purchases among one fund or a variety of funds are within 10% of breakpoint for any one of the fund families to maximize sales charges;

- Failing to explain the different share class options to the client;
- Splitting investments between fund families to avoid breakpoints;
- Failing to deliver a prospectus as required;
- Encouraging customers to buy funds shortly before an ex-dividend date without explaining that the client may be subject to taxes and reinvestment risk on the dividend received.

### **Prohibited Variable Annuities Sales Practices**

- Twisting is prohibited. Twisting is recommending that clients replace an existing fixed or variable annuity or other insurance product with another fixed or variable annuity, or other insurance product without having a good reason to make this recommendation based on the client's needs and objectives. Twisting is typically done without providing full disclosure to the client of all material facts and is done to increase sales commissions;
- Failing to deliver a prospectus as required;
- Misrepresenting the Death Benefit Guarantee.

### **Customer Complaints**

- Settling customer complaints or errors directly with customers unless specifically authorized to do so;
- Encouraging that a customer file a complaint against another PFSI representative;
- Failing to promptly report to the Office of the General Counsel receipt of a customer complaint.





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