

# The Annuity Sales Process

## Pre-Sale

### Steps to Take Before Selling:

- Please make sure you are contracted and licensed in the state you are prospecting.
- Learn about the products you are selling
- Complete the 4-hour Annuity NAIC training for your state (if applicable)
- Complete any product training with the carrier you are setting up with before submitting an application

### Steps to Speed up the New Business Process

There are steps you can take to avoid the most common delays in annuity application processing. Keep the application submission process rolling by always providing the following:

- Required signatures on all forms
- Product / rider information (provide on application as well as by submitting proper disclosures)
- Annuity type (type of account funds are going into)
- Source of funds (type of account funds are coming from)
- Complete suitability information, including customer identification information – be sure to answer all questions on the Customer Identification and Suitability Confirmation Worksheet
- Allocation information (on product disclosure form)

### Annuity Suitability Requirements

In order to comply with Suitability Policy and various state laws regarding suitability, a properly completed suitability form, is required with all annuity applications in all states. The suitability form documents the customer's suitability information that was considered at the time the recommendation was made to purchase the annuity. In addition, in the case of an application that is a replacement or exchange, a properly completed Annuity Product Comparison

worksheet is also required in every state. Please see the forms site to obtain copies of the current suitability and comparison forms.

An agent must have reasonable grounds to believe any recommendation made to a consumer is suitable for that consumer at the time the recommendation is made. The agent must make a reasonable effort to gather the customer's suitability information, then use that information to carefully review and evaluate whether the consumer would benefit from the annuity based on the totality of the consumer's circumstances, needs and objectives. The key to compliance rests with the agent's ability to exercise good judgment.

As required by the Model Suitability Rule and other state laws, the Company has a system to monitor the recommendations of our agents and review the suitability of each annuity application. This includes an initial review of the required suitability form with all annuity applications. In addition, all applications received by the Company are subject to further review according to the Suitability Review Procedures. The Suitability Review Procedures include the review of the application, suitability form and all other supporting documents contained in the application file. If additional information is needed to clearly determine that the agent had a reasonable basis for making the recommendation and or the suitability of the transaction, the Company will contact the agent and/or the applicant.

## Submission

Remember to use the appropriate state variation of the application. The state where the application is signed dictates which application version. Only the correct application should be used when applying for an annuity.

All carriers have different submission methods but these are typical:

- Submit the original forms by mail
- Fax the forms in
- Some carriers have Annuity E-Applications handled entirely online

## Pending Policy

The following items may delay policy issue and/or commission payment:

### Policy Amendments

If questions on the application have been left blank, are not clear and complete, or correction fluid has been used, a policy amendment must be fully executed by the Owner upon delivery of the policy.

Once the agent has the amendment signed by the owner, the agent should then return it to the Home Office.

## Required Forms

If product or state required forms are incomplete or not received, policy issue and commission payment may be delayed.

## Supporting Documents

- If a trust is listed as the Owner on the application, you must submit the completed Trust Verification form prior to issue.
- If a trust is listed as the Beneficiary on the application and the Trust Verification was not submitted, one will be sent on delivery of the policy. We will require the completed Trust Verification form prior to paying a death claim. We may require a copy of the trust document.
- If a custodian, guardian or attorney-in-fact signs the application on behalf of the Annuitant or Owner, certified copies of the custodianship, guardianship, or Power of Attorney documents will be required before the policy is issued.
- If policy is owned by a non-person entity such as a corporation or retirement pension plan, we will require a document showing who is authorized to sign for the entity before the policy is issued.

## Chargeback of Commissions

If premiums are refunded to the Policy Owner, commissions will be charged back to the Agent as provided in the carrier contract. This typically happens in the first year the policy is in-force but it can differ among carriers and products.

## Section 1035 (Tax Free) Exchanges

IRS Section 1035 Exchanges may be done to implement transfers of non-qualified funds from annuity to annuity, life to life, and life to annuity policies. To affect a Section 1035 Exchange, properly complete the appropriate section of the Request for Funds form and have it signed by the owner. Submit the form with the annuity application and any other required forms. We will send the appropriate forms to the transferring company upon receipt. Agents should contact the existing insurer for any additional requirements and forward those with the Request for Funds form.

We will contact the transferring company to follow up on the status of the transfer/exchange of funds. We will post the status of pending transfer/exchanges on the appropriate company web site.

Please consult IRS Section 1035 or your own tax advisor for further details regarding 1035 exchange rules.

## **Institutional Transfers to the company**

The Request for Funds/Transfer form is also used to initiate the transfer of both tax-qualified and non-qualified funds from other financial institutions such as banks or mutual funds. To affect the transfer, properly complete the appropriate section of the Request for Funds/Transfer form and have it signed by the owner. Submit the form with the annuity application and any other required forms. The carrier will send the appropriate forms to the transferring company upon receipt. Agents should contact the existing insurer to determine if there are any additional requirements and forward those with the Request for Funds form.

The carrier will post the status of pending transfers/exchanges on the appropriate company web site.

Please Note: Any IRS required distributions MUST be completed prior to the transfer.

## **Tips for completing the Request for Funds/Transfer Form**

- A Request for Funds (May have a different name depending on the carrier) should be completed in its entirety
- The transferring company's name printed clearly
- The overnight address for the company
- The client's name completed on both the annuitant and owner line (if not the same)
- The existing contract number at the transferring company
- Investment vehicle
- Account type/tax status at transferring company
- Approximate amount of transfer (this helps us to determine how much money we are expecting when following up with the transfer company)
- Signatures on the form must be signed and dated
- Form should only be signed in one section, section one for a 1035 exchange, section two for anything else. If it is a replacement and the client no longer has their original policy please mark the lost policy box. For transfers signed in section two, make sure liquidate account boxes are completed as well.
- For partial 1035 Exchanges, a different form may be needed or a different section may need to be filled out.
- Replacement forms should be completed if appropriate and states require. Complete all appropriate fields, including insurer, contract or policy #, insured or annuitant, and replaced or financing. If multiple policies are being replaced by our policy it is a good idea to send multiple replacement forms, preferably one for each transfer that is to be replaced.

- Statements from the transferring company are extremely helpful and can help us determine information if left off of the Request for Funds form; in addition, they can also help our rollover team "fight" for the agent. In many cases the statement has saved us from having to ask for new transfer forms.
- Some companies require their own paperwork and will only send the correct paperwork to the client if the client requests it, not if we send our request for funds.

## Policy Issue

Most carriers will send the policy by 2nd day delivery within three (3) working days of the policy issue date, provided there are no outstanding policy requirements. Please review the policy upon receipt for accuracy as well as any outstanding delivery requirements. Please contact the company immediately with any concerns.

### Annuity Policy Delivery

#### Outstanding Delivery Requirements

With most carriers, policies are sent with a policy delivery receipt along with any other outstanding delivery requirements. All delivery requirements should be signed and dated and return to the home office typically within 20 days.

### Free-Look Period

Most carrier's policies contain a "Free-Look" period during which the Owner may examine his/her annuity policy. The "Free-Look" period is indicated on the cover of the policy. Should the Owner decide not to accept the contract and return it under the "Free-Look" provision, we will refund the initial premium.

The following is required for those who decide not to accept their contract and elect to return it under the "Free-Look" provision:

- A written statement signed by the Policy Owner or Agent requesting a refund of premium; and
- Return the original annuity policy.

If a Policy Owner requests a premium refund under the "Free Look" provision, the Agent will be notified and the commission paid on the policy must be promptly returned

## Ownership of an Annuity

With most carriers the Owner(s) of an annuity may be an individual, trust company, or a retirement pension plan. In some situations where a non-person entity owns a policy, tax deferral of the interest earnings may not apply. We recommend the customer seek independent tax advice if there are questions regarding taxation. If the Owner(s) is a trust, indicate the name and date of the trust. Please complete the Trust Verification form which provides necessary information regarding the trust.

On IRA, Roth IRA and SEP annuities the owner and the annuitant must be the same person. For other qualified plans, please consult your tax advisor with regard to proper ownership designations.

Inherited IRA's must have date of death and date of birth of the deceased, name, and relationship.