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# Suitability Guide

# Introduction

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An important regulatory requirement is to recommend purchasing, replacement, or exchange of annuity products only if there are reasonable grounds for believing the annuity is suitable.

It is imperative to understand your client's needs and objectives and provide full disclosure necessary for the client to make well-informed decisions during the sale of annuity products.

Full disclosure is not only required by law, but also dictated by our company's code of ethical conduct to ensure we are always acting in a manner consistent with our clients' interests.

This guide is intended to help you understand what this means and how our company administers suitability requirements. Carefully following this guide will help expedite your application.



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# Evolution of suitability

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Suitability is continuously evolving as new laws and regulations require updates to keep pace with regulatory requirements and industry standards. Adopting changes in our standards and implementing oversight procedures and controls is consistent with our compliance responsibilities. States adoption of Best Interest standards continue to provide guidance for F&G and producers to act in the best interest of the client when making recommendations, to ensure no other financial interests are placed before the client's and adequate disclosure of information. Updating our forms to ensure they are easy to understand and clarify our stance to improve efficiencies will continue to be ongoing.

All recommendations for the purchase or replacement of annuity products shall have a reasonable basis as to their suitability for the consumer, based on the information disclosed by the client to the producer at the time the recommendation is made.

## Requirements and record keeping

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### Importance of record keeping

Our forms capture essential information for you and your client to evaluate the suitability of an annuity recommendation. Records should be maintained for the life of the annuity plus any additional period prescribed by state insurance law.

Generally, we recommend you retain at a minimum in your records including:

- ✓ a copy of the Best Interest Acknowledgement Form
- ✓ the application documents
- ✓ any other required state forms
- ✓ copies of any notes or materials used in your discussions with your client



### **BIA form required for every annuity sale**

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We do not permit clients to opt out of providing information required on the Best Interest Acknowledgement Form (BIA) and will decline any application where complete suitability information is not provided.

Clients can be assured that information provided on the BIA will not be shared with any third party for marketing purposes as explained in our privacy policy. Outlining your own privacy practices for handling personal financial information of your clients can also be helpful.

## Suitability requirements

Appointed producers are required to make every reasonable effort to present each client with the necessary information to make well informed decisions related to the purchase, exchange or replacement of any annuity product.

At a minimum, producer and their clients should be able to answer “yes” to each of the questions below prior to completion of any annuity purchase, exchange or replacement:

- Does the client understand the purpose of the annuity?
- Does the client understand the key features of the product?
- After purchase of this annuity, does the client have enough remaining liquid assets and other sources of income to cover any emergencies or contingencies such as sudden health care needs or increased living expenses?  
**Note:** *Mutual funds are generally considered liquid assets unless they are Class B meaning they are subject to back-end contingent sales charges incurred upon redemption of the Mutual Funds.*
- Did the client take into consideration other insurance needs and related expenses when buying this annuity, e.g., health insurance, life insurance, final expense protection and long-term care?
- Does the client anticipate any adverse change in assets, living expenses, medical expenses, and/or income during the surrender period of this contract?
- If the client is replacing or exchanging another product with this annuity:
  - Does the client understand the pros and cons of the exchange, e.g., tax penalties, surrender charges, new surrender periods, loss of existing benefits?
  - Will the client benefit from the new annuity's features and enhancements?
  - Will the client be replacing or exchanging an existing life or annuity contract replaced within the past 60 months?
- Anytime the option of “other” is selected, related details should be added in the line provided. (e.g., work status, reason for purchase, source of income)





# Minimum guidelines

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We share our minimum standards to use as guidelines to determine whether an application should be submitted to our company for review. Ensure all questions are completed on applicable forms to prevent a delay in the review. Applications not meeting the below criteria will be declined absent extenuating considerations.

- ✓ Approximate Monthly Household Income of at least \$1,700 (business decisions made for applicants with significant remaining liquid assets).
- ✓ Monthly Household Income to be greater than or equal to Monthly Household Expenses (business decisions made for applicants with significant remaining liquid assets).
- ✓ Remaining liquid assets, after purchase of the annuity, to cover at least \$20,000. Or, after the purchase of the annuity have remaining liquid assets to cover at least six months of Approximate Monthly Household Expenses, if employed/retired or to cover twelve months of Approximate Monthly Household Expenses, if unemployed.
- ✓ Total amount of annuities and life insurance within the surrender period, cannot exceed 75% of Total Assets.
- ✓ Applicant must indicate remaining liquid assets are adequate to handle emergencies.
- ✓ We don't allow a reverse mortgage to fund an annuity.
- ✓ Applicant may not have an Aggressive Risk Tolerance if the annuity represents a significant percentage of Total Net Worth.
- ✓ Surrender charges that are excessive based on the facts and circumstances.
- ✓ Anticipated distributions may not be within the surrender charge period unless distributions are surrender charge free or derived from the Guaranteed Minimum Withdrawal Rider.
- ✓ A Replacement Comparison Form must be completed on all cases being replaced, this includes internal and external replacements.
- ✓ Additional review may be necessary in the event of any replacements made with the last 60 months, provided that the same agent and same set of funds are involved.

There may be situations where we need more information to make a determination, which does not mean the annuity is unsuitable for your client. Your prompt cooperation in these situations is appreciated, so we can efficiently review the application.

In some cases, we may request changes or reduction to the size of the annuity to address specific concerns. We may also decline the annuity, if we believe reasonable grounds have not been established based on information provided.

# Suitability reviews

Our home office will review the documentation submitted with each application to determine whether the information provided in connection with the transaction meets the following:

- Appears to reflect a reasonable basis for suitability to proceed; or if lacks this will be declined.
- Requires further review of certain factors and should be held until we complete our review.
  - In these situations, we will contact the parties to ask additional questions, this may include emails or phone calls to collect the necessary information. We also reserve the right to contact the client.

Declined transactions, that lack a reasonable basis for suitability, may also include F&G offering your client the right to free-look an issued annuity at any time and may reserve the right to charge back any commissions paid on the transaction.

We reserve the right to change our minimum criteria or escalation guidelines, as we may review and adjust them as necessary at any time. More information may be needed at times to assess if reasonable grounds exist; to determine if based on the client's financial goals and circumstances, the annuity is suitable. Following are a few examples of factors that may generate our request for more information:

| Scenario  | Clarification request  |
|---|--|
| If the type of annuity elected does not appear to match the purposed indicated.   | <b>Action:</b> We may need clarification to ensure it meets the goals of the client.<br><b>Example:</b> If your financial objectives do not match the product selected.  |
| If the applicant lives in a nursing home.   | <b>Action:</b> We will need information about the overall health condition of the applicant, the purpose of the annuity, that future needs have been adequately considered, whether family members were involved in the purchase, and additional information to establish reasonable grounds to determine the suitability of the annuity purchase.   |
| If the annuity is being purchased to qualify for government benefits.<br><b>Note:</b> Often we will not issue an annuity in these situations unless the annuity is bought at the recommendation of a qualified attorney such as an Elder Care lawyer. | <b>Action:</b> We will need information about what government program is involved, how purchase helps the applicant/applicant's spouse qualify for benefits, if the annuity is intended to help the applicant/applicant's spouse qualify right away or at some future date, to what extent other relatives were involved in the decision or planning process, and what other professionals were relied upon by the applicant (such as attorneys and accountants) in seeking such benefits and determining an annuity is appropriate. |
| If the applicant anticipates adverse changes in assets, living expenses, medical expenses, and/or income during the annuity's surrender charge period.  | <b>Action:</b> We may follow-up to obtain information regarding the anticipated changes and how the applicant will adjust to them, in order to determine the impact to suitability.  |
| Surrender charges or penalties on replaced products exceed certain thresholds for older applicants. For applicants 65 and older we may request additional information about the replacement.  | <b>Action:</b> A Replacement Comparison Form is required to be completed on all replacement cases, this includes internal and external replacements.   |
| If the source of funds used to purchase the annuity is cash value from a life insurance policy, a Replacement Comparison Form must be completed.  | <b>Action:</b> We will need information about: The replaced life insurance- product type, face amount, scheduled premiums and cost of insurance. Any other life insurance owned by the applicant, the insured's overall health, and changes in financial objectives.<br><b>Note:</b> We may ask for a current statement and in-force policy illustration.  |
| If the annuity represents a significant percentage of the client's total financial position, even if funded by non-liquid assets, we will confirm the impact to their overall liquidity.  | <b>Action:</b> We will need information: confirming the applicant understands by using non-liquid funds to purchase the annuity, they will remain that way through the life of the contract. Additionally, what kind of plan or annuity the funds are currently held in, what surrender charges or penalties apply to those funds, and when those funds will be free of penalties or surrender charges?  |

## Advanced suitability review

We believe you're enabled to anticipate our general expectations and requirements for suitability given:

- ✓ the information provided here,
- ✓ SalesLink tools,
- ✓ any general guidance received from our sales support team,
- ✓ combined with your own professional judgment.



You are always welcome to discuss with our sales support team at **1.866.477.7932.**

To ensure expedited suitability reviews, we are focused on processing incoming applications for the most efficient client experience. Any advanced indication of suitability does not guarantee approval upon submission.





# Gather for submission

## Financial information to collect

Household information is used to develop the most accurate profile of the proposed annuity owner's current financial circumstances, assets, and liabilities (prior to purchase of the annuity). Household information should include combined financial information for any household adults with whom the proposed annuity owner shares financial resources. If the proposed annuity owner is financially independent, only report information on the proposed annuity owner.

**Natural owner**

For any person you must provide financial information such as income, expenses, liquid assets, non-liquid assets, and liabilities.

If the proposed owner is a natural person, but not the same person as the annuitant, the Best Interest Acknowledgement Form should be completed using the proposed annuity owner's information.

**Non-natural owner**

For any non-natural owners, use the following guidelines to determine what financial information must be provided.

|  |   |  |
|--|---|--|
| <b>Revocable trust</b> <p>If the proposed owner is a <b>revocable</b> trust, the form should be completed using the financial information of the grantor or settlor of the trust (e.g., the person who created the trust and has the legal right to revoke the trust).</p> | <b>Irrevocable trust</b> <p>If the proposed owner is an <b>irrevocable</b> trust <i>and</i>:</p> <ul style="list-style-type: none"><li>the annuity is purchased in conjunction with or in close proximity to the creation of the trust, then the form should be completed using the financial information of the grantor or settlor of the trust (e.g., the person who created the trust and has the legal right to revoke the trust).</li><li>the trust predates and is independent of the purchase of the annuity, then the form should be completed using the financial information of the trust itself.</li></ul> | <b>Corporation</b> <p>If the proposed owner is a <b>corporation</b>, you will need to evaluate the nature of the corporation.</p> <ul style="list-style-type: none"><li>If it is closely held, such as an S-corporation or another kind of corporation held mostly by a single person, the form should be completed using the financial information of the principal corporate owner.</li><li>If the corporation is a traditional C-corporation in which no individual holds a majority share, the form should be completed using the financial information of the corporation itself.</li></ul> |
|--|---|--|

**Note:** F&G reserves the right to request information about all parties involved in the transaction, including owners, annuitants, beneficiaries, and related parties such as trustees.

## Multiple applications for the same household

If multiple applications are being submitted for the same household, indicate that by checking the box on the Best Interest Acknowledgement Form. That ensures all related household applications are evaluated together for suitability purposes on both an individual policy and aggregate household basis.

Consistent household financials should be reflected between forms for the same person or related persons within a household. The cumulative amount of premium being put into the combined annuities is used to assess if the household applications meet minimum suitability guidelines. If minimum criteria are not satisfied or suitability concerns exist on either an individual policy or aggregate household basis, we may decline all the policies, or may accept certain policies and decline others.

Household policy examples:

- More than one application for an individual person
- Joint applications for a husband and wife
- Multiple applications for members of the same household who share income and expenses or other finances.

## Signatures

The writing agent(s) and the proposed annuity owner(s) are required to sign. In cases where the proposed annuity owner is a non-natural person, the following guidelines generally apply:

- If the proposed owner is a trust, the trustee(s) must sign. Be sure to include a properly completed Certificate of Entity Ownership Form (ADMIN5456), Trust Certification (ADMIN5769) and a W-9 form.
- If the proposed owner is a corporation or entity, the appropriate corporate representative(s) must sign. Include a properly completed Certificate of Entity Ownership Form (ADMIN5456) and a W-9 form. Documentation including the corporation or entity name, corporate representative(s) title(s) and signature(s) must be provided.
  - **Examples:** A copy of the governing body meeting minutes (e.g., Board of Directors) or a Corporate Resolution reflecting the signor(s) have the authority to act on behalf of the corporation.

## Suitability decline

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If an application was declined for suitability reasons, that does not mean the recommendation was necessarily unsuitable. From F&G's perspective the information supplied does not adequately establish reasonable grounds.

If an application is declined, you will be informed of our decision which will allow you to discuss the matter further with your client. Communication will be sent to your client along with a refund or an explanation that funds have been returned to the transferring company in cases of an exchange. Evaluate the specific circumstances and discuss the matter with your client to determine if other options may be available. Such as a smaller sized annuity or possibly a different product with a shorter surrender period.

# Additional resources

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## Definitions

**Adverse:** A negative change during the surrender charge period of the recommended annuity, in assets, expenses or income.

**Age:** Owner(s) legal age(s) at time application is signed.

**Approximate monthly household expenses:** Approximate household expenses of the Owner and any spouse/partner including but not limited to rent/mortgage payments, food, utilities, travel and transportation, insurance premiums, healthcare including insurance premiums and any deductibles or copayments, debt repayment, support for dependents, membership costs, vacation costs, charitable contributions and property taxes.

**Approximate monthly household income:** Before tax and other deductions approximate household income of Owner and any spouse/partner including but not limited to earned and investment income, such as salary and wages, social security payments, pension and IRA payments, rental income, and interest and dividends earned on other financial instruments. (Income currently earned on financial instruments that will be used to fund the annuity purchase should not be included.)

**Distributions:** Payments or withdrawals to be taken from annuity.

**Emergency:** A significant unanticipated change in circumstances during the surrender charge period of the recommended annuity, including potential changes in medical expenses, financial situation or living arrangements.

**Exchange:** A 1035 tax free exchange in which the Owner transfers money from one annuity to another annuity.

**Household:** Any adult residing with the Owner and sharing finances (e.g., income and expenses), including the Owner's spouse or partner.

**Liabilities:** Debt or financial obligation that is the responsibility of the household. Term is based on the original duration of the obligation. Short Term - Five (5) years and less. Long Term - Greater than five (5) years.

**Liquid assets:** Assets that can be accessed without substantial penalty such as checking and savings accounts, money markets, short term certificates of deposit and no-load mutual funds.

**Monthly disposable household income:** Monthly household income minus monthly household expenses.

**Owner(s):** Any person(s) who will own the issued annuity contract. The Owner(s) has the right to request changes and make financial decisions, including withdrawals or surrendering. An Owner may be non-natural, such as a trust or corporation.

**Replacement:** A transaction in which a new annuity is to be purchased, and it is known or should be known to the producer, that by reason of the transaction, an existing annuity or life policy has been or is to be:

- (a) lapsed, forfeited, surrendered, or partially surrendered, assigned to the replacing insurer or otherwise terminated,
- (b) converted to reduced paid-up insurance, continued as extended term insurance, or otherwise reduced in value by the use of non-forfeiture benefits or other policy values,
- (c) amended so as to effect either a reduction in benefits or in the term for which coverage would otherwise remain in force or for which benefits would be paid;
- (d) reissued with any reduction in cash value, or
- (e) used in a financed purchase.

**Risk tolerance:** Level of risk Owner(s) are willing/able to accept for the opportunity of greater returns.

**Source of funds:** The original source(s) of money used to purchase the annuity and make any subsequent premium deposits into the annuity.

**Total net worth:** Total assets minus total liabilities (i.e., debts, loans, mortgages, or any other liabilities).

## Additional questions

If you have carefully read this guide and still have questions, you can either speak with your up-line marketing organization or contact our sales support team at **1.866.477.7932**. They will provide answers or as necessary can check with our suitability department on any more technical questions or concerns.



**Sales support team  
1.866.477.7932**

We appreciate the opportunity to work with you to help fulfill your client's financial objectives and earn your business. We hope this information helps you to better understand our expectations and will aid in providing the best service for your clients. As always, we are grateful for your business, and will continue to strive to provide exceptional value and service to you and your clients.

## Appendix

To fully understand our approach to suitability, you should familiarize yourself with these key documents:

### **Best Interest Acknowledgement Form** **ADMIN5840**

### **Replacement Comparison Form** **ADMIN5766**

### **Fidelity & Guaranty Life Market Conduct Guide** **ADMIN5516**

If you take the time to study these materials, you will better understand our program and help ensure your clients' applications get processed as efficiently as possible.

"F&G" is the marketing name for Fidelity & Guaranty Life Insurance Company issuing insurance in the United States outside of New York. Life insurance and annuities issued by Fidelity & Guaranty Life Insurance Company, Des Moines, IA.