Suitability Guidelines for Annuities

Established in 1906, The Standard is a family of companies dedicated to helping customers achieve financial well-being and peace of mind. We prioritize suitability in every recommendation, ensuring each is aligned with client goals, needs and financial status.

We require all producers to be in compliance with the National Association of Insurance Commissioners, or NAIC, Suitability in Annuity Transactions Model Regulation. You must complete state-required training on annuities and specific training to learn the features of The Standard's product offerings. The Department of Labor investment advice regulations also emphasize the importance of tailoring financial advice to each client's unique goals, needs and circumstances.

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

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

How the Review Process Works

When we receive an application, suitability form and other new business paperwork, we first confirm that you have completed the required training. Then we review the client's financial suitability — including any applicable replacement activity — to determine whether to approve or reject, or if we need to request additional information.

If a case requires further review, a manager will evaluate it. We may request additional documentation from you or client to ensure we have a complete financial picture before making a final decision.

Causes for Immediate Rejection

- You have not completed the required training.
  - In this situation, you must complete the training before resubmitting all new business paperwork and the suitability form. All forms must be re-signed and dated by both you and the client.
- A replacement or surrender occurred within the last 36 months and you sold the original contract.
- There are undisclosed replacements.
- The suitability form is incomplete.
- The client refuses to provide financial information on the suitability form.
- The funds used to purchase the annuity have come from a reverse mortgage or home equity loan.
- The annuity purchase will leave the client without sufficient assets to meet future financial needs or emergencies.

This document is incomplete without both pages, including any disclaimers.

Producer Responsibilities

- Understand clients' short- and long-term goals, stage in life, financial situation and liquidity needs.
- Ask yourself whether the purchase of this annuity is in the client's best interest.
  - If your client were a close friend or family member with similar objectives, would you make the same recommendation?
  - Include basis of recommendation — clearly explain why this product was recommended over others and how it aligns with the client's best interest.
  - If the client intends to purchase an annuity to replace an existing one, evaluate any potential loss of benefits, applicable penalties and whether the new contract introduces a surrender charge period. If the current policy has a surrender charge, confirm that the client understands the financial impact before proceeding and include that in your basis for the recommendation.
- Disclose any conflicts of interest, product fees and potential loss of benefits. Include the percentage of total assets involved in this transaction to assess annuity concentration.
- Keep detailed records of all client conversations for at least five years or as long as the contract is in force. This will be helpful if you are ever questioned about your recommendation.
- Leave advertising or marketing materials from your sales presentation with your clients.
- Provide the client with relevant information so they can make an informed decision — including advantages and disadvantages.
- Give as much detail as you can on the suitability form to help us see the full picture.
- Ensure surrender charge periods, liquidity restrictions and any riders are clearly disclosed and evaluated for suitability.
- Provide and collect disclosures including NAIC Appendix A (required), Appendix B and Appendix C (as applicable).

Suitability Form FAQ

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

What should I include in the client's total liquid assets?
Examples of liquid assets are cash, checking and savings accounts, money market funds, stocks, bonds, mutual funds and other investments that are readily convertible to cash.

Do not include real estate, retirement accounts like 401(k)s, private investments, vehicles, collectibles, etc. Retirement funds and annuities are typically considered illiquid unless there are no surrender fees or penalties for withdrawal.

What if a client reports an income shortfall?
If the client reports an income shortfall, then for the purposes of suitability, we will expect that shortfall to continue over the client's life expectancy, unless informed otherwise.

You'll need to show how the client plans to meet their expenses during the income shortfall. If appropriate, consider providing the client's total household income rather than their sole income.