

# Non-Resident Sales Guide and VoIP (Skype) Policy

## Guidance Concerning Non-Resident Sales of Security Benefit Life Insurance Company Annuities

State insurance regulators are vigilant in overseeing activities related to purchases of annuity contracts within their respective states. One issue of increasing concern among regulators is non-resident sales of annuities. A non-resident (or “cross border”) sale occurs when an individual purchases an annuity contract in a state other than his/her state of primary residence. Security Benefit is providing this guide to assist you in ensuring that any activities associated with non-resident sales in which you engage comply with applicable laws.

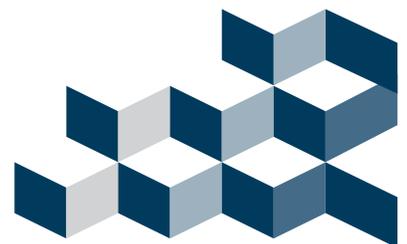
The general rule in every state is it is impermissible to sell an annuity to a resident of a state who travelled to that other state solely for the purpose of purchasing an annuity. When you are making a non-resident sale, in addition to the application and other standard documents that must be completed and submitted you and the prospective owner must also complete and sign Security Benefit's Non-Resident Information Form. The Non-Resident Information Form requires that you and the prospective owner certify: (1) that the information on the form is true and complete; (2) that all activity pertaining to the purchase, including the solicitation, sale, and signing of the application occurred only within the state in which the application was signed; and (3) the contract will be delivered to the owner in the same state in which the application was signed. If any of these certifications is not made, the application will be deemed not in good order and the contract will not be issued.

Based upon legal restrictions in effect in the following states, Security Benefit does not permit non-resident sales of its annuities to residents of these states: Minnesota, New York, Utah, and certain products in Iowa. Please note this list is subject to change as regulatory obligations and business conditions warrant.

### Acceptable reasons for non-resident sales include:

- 1) The applicant owns a second home in the state in which the contract is being purchased (the “non-resident state”);
- 2) The applicant's place of employment is located in the non-resident state;
- 3) The applicant was formerly a resident of the non-resident state and returns frequently to visit relatives (the dates of residence in the non-resident state and the frequency with which the applicant visits the non-resident state should be indicated on the Non-Resident Information form).
- 4) The applicant has another kind of significant connection to the non-resident state, such as regular business dealings in the state (an example of this would be having clients in the state), or an attorney-in-fact who has Power of Attorney for the prospective owner resides in the non-resident state. Security Benefit will determine whether such a reason is acceptable based on the type and frequency of contacts with the non-resident state; acceptable reasons do not include activities such as shopping or recreational activities. In addition, for this scenario, you (the producer) must maintain an office in the non-resident state (and provide the address of that office on the Non-Resident Information form where indicated).

Security Benefit reserves the right to decline any non-resident application based on information included on the Non-Resident Information form or any other pertinent information of which Security Benefit becomes aware.



## Other rules that you must follow:

- 1) You must possess the appropriate producer license for any state in which you solicit and sell annuities.
- 2) You must not solicit the sale of an annuity in a state whose insurance regulator has not approved it for sale. This includes sending written or electronic correspondence discussing the annuity to persons residing in such a state. Such correspondence includes invitations to attend a presentation at which an annuity will be discussed that is not approved for sale in the invitees' resident state(s).
- 3) You should not sign an application for a contract that was in fact solicited and sold by another producer not licensed in the non-resident state.
- 4) If you utilize instant video messaging and/or voice communications services (Skype) for all or part of the sales process, you must adhere to the accepted rules and procedures outlined in this Guide and the addendum on our Voice over Internet Protocol (Skype) policy.

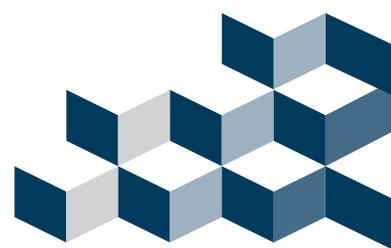
## Discovery and potential consequences of improper non-resident sales

Insurance regulators can become aware of improper non-resident sales through a number of means, including complaints and market conduct examinations. Additionally, in its review of the application Security Benefit may determine that a non-resident sale was improper. The possible repercussions for such improper non-resident sales include:

- 1) Against a producer:
  - o termination of the producer's appointment by Security Benefit
  - o fines, suspension or revocation of the producer's license by the insurance regulator
  - o in some states, possible criminal prosecution
- 2) Against Security Benefit:
  - o restitution, fines, suspension or revocation of its certificate of authority imposed by the insurance regulator
  - o market conduct examination by the insurance regulator

## Conclusion

As should now be evident, producers must exercise great care when engaging in activities to effect non-resident sales. While at present only a few states have specific prohibitions concerning non-resident sales to residents of those states, the requirements are considerable for non-resident sales to be proper in the states that permit them. As such, please take the time to familiarize yourself with the laws of all states in which you solicit non-resident sales. If you have any questions, please contact your marketing organization.



# Use of Voice over Internet Protocol (VoIP), such as Skype, during the Sale and Solicitation of an Annuity

Technology is continually changing how you are able to conduct your insurance business. One such change is the growth of the use of Voice over Internet Protocol communication software, such as Skype, or Google Hangout, to conduct meetings with clients. Security Benefit Life Insurance Company (“SBL”) neither endorses nor prohibits its independent insurance producers from using Skype and other similar communication technologies during the sale and solicitation of an insurance contract, but if such tools are used, does require that the following rules and guidelines be followed, as well as any applicable laws or regulations. Since this technology is relatively new and constantly changing, this policy is subject to revision or cancellation at any time. Skype, which in some instances may be a useful tool in helping you solicit and maintain your insurance business, may on occasion experience technical difficulties, which could adversely affect the sales process and lead to complaints. Thus, it is extremely important that you follow this policy.

## What is Skype?

Briefly speaking, Skype is a software application that is downloaded on a computer and allows its registered users, identified by a unique user name, to communicate through instant video messaging and voice communications. Communications between Skype registered users are free, but there is normally a fee associated with making a call from Skype to a landline or cellular phone. As mentioned above, there are other technologies that work in a similar fashion to Skype. For purposes of this document, references to Skype also include such other technologies.

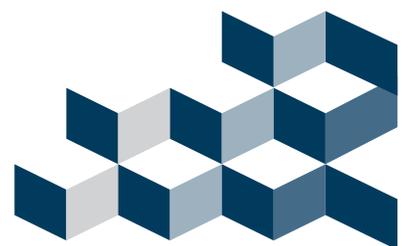
## Special Considerations when Using Skype

### 1. Licensing/Non Resident Sales

Caution should be taken when using Skype during the solicitation and sale of an annuity to a person who purchases the annuity contract in a state other than his/her primary residence, as there are specific procedures that must be followed in order to ensure that the sale does not violate the law of the resident or non-resident states. Thus, if you Skype with a prospective customer at any time during the sales process and the prospective customer is not in his or her state of residence, it may be considered a non-resident sale. In that case, you should follow the procedures noted in our Non-Resident Annuity Sales Guide (“Guide”), as well as ensure that you have completed and submitted the Non-Resident Information Form with the application. As noted in the Guide, the general rule is that it is impermissible to sell an annuity to a resident of a state who travelled to another state for the sole purpose of purchasing the annuity. Thus, if you are to participate in a non-resident sale, the potential customer must have an acceptable reason for travelling to the other state, such as he/she owns a second home in the non-resident state.

In order to participate in a non-resident sale, you must possess the appropriate producer license in any state in which you solicit and sell an annuity.

As noted in the Guide, there are special considerations to consider when engaging in non-resident sales, and those are especially important to note when using Skype. For instance, you may not solicit the sale of an annuity in a state whose insurance commissioner has not approved it for sale. Furthermore, there are specific states which forbid all non-resident sales (please refer to the Guide for information about this).



Similarly, a situation may arise with an applicant, who is a resident of your state, and who comes to your office during the initial and subsequent meetings, but who requests to meet via Skype for the final meeting and to sign the application in another state while on business. In such situation, it is entirely possible that the non-resident insurance regulator might deem the signing of the application in the other state as part of the sale and solicitation of the policy. Therefore, you would need to be licensed in the other state in order to complete the sale and use the other state's application, and as noted in the Guide you would also have to maintain an office in the other state if the sale meets the requirements outlined in the Guide under "Acceptable reasons for non-resident sales". In such situations, it is recommended to wait until the client returns to his or her home state before you engage in a video conference.

## 2. Paperwork

If the entire solicitation process, including your witnessing the client's signature on the application and any required accompanying forms will take place via Skype, then you must ensure that such documentation is forwarded to your office for signature. Also, it is important to remember that you should never sign an application and related forms before the applicant signs them. Additionally, the client should mail the premium to your office, and you should let the client know the date that you signed the application and when the application and the premium have been forwarded to SBL. Finally, even though you are transacting business via Skype, it is important to remember that all SBL In Good Order requirements will still continue to be enforced.

## 3. Policy Delivery

In accordance with SBL's procedures, the contract must be delivered to the owner in the same state in which the application was signed. Thus, if the applicant signed the application in Kansas and you witnessed such signing via Skype, then the contract needs to be delivered in Kansas, even if you live in a different state. Furthermore, contract delivery will not be properly evidenced by simply witnessing via Skype a customer possessing the contract; you must deliver the contract to the policyholder.

## 4. Anti-Money Laundering Considerations

Consistent with current AML practice, if your initial client meeting is taken via Skype, you will need to actually view the government-issued picture ID while on the video conference and record the applicable data on the required paperwork. You are not required to send SBL a copy of the government ID, but you may do so if you so desire.

## 5. Extra precautions

As an appointed independent producer of SBL, you should already be familiar with our sales literature and marketing materials, and thus be able to properly explain the terms and features of our products by using such materials. As you know, during your meetings with your clients it is important to fully answer their questions, and properly listen to their concerns regarding our products.

However, Skype, as with all forms of digital and electronic communication, will at times experience technical difficulties, which could make the sales process difficult. Therefore, you need to take extra precautions when conducting insurance business via Skype, as it is imperative that your clients fully understand what they purchased. If there are delays or interruptions in service, or any other type of technical difficulty, you should contact the client to re-schedule the Skype meeting or conduct the meeting in person.

Moreover, when you are using our marketing materials to explain the product, including a printout of an illustration, it is imperative that the client possess an exact copy of such document during your meeting. You should also make a record of each meeting held with a client via Skype, noting the date and time, whether any other persons participated in the meeting, the subject matter and the materials that were discussed at such meeting.

## Conclusion

We understand that for many of you, using Skype is a convenient way to communicate with your clients and to transact business. As noted above, SBL neither endorses nor prohibits its independent insurance producers from using Skype and other similar communication technologies during the sale and solicitation of an insurance contract. However, SBL does require that you follow the rules and guidelines above, as well as, any other SBL policies and procedures, and any applicable laws or regulations. If you have any questions, please contact your marketing organization.

