



Gerber Life Insurance Company

*Agent
Compliance Manual*

Revision Date: 5-9-13

■ Contents

● WHY IS COMPLIANCE IMPORTANT	3
● ETHICAL PRINCIPALS	3
● ANTITRUST AND COMPETITION LAWS	3
● INSURANCE FRAUD	4
● USA PATRIOT ACT	4
● ANTI-MONEY LAUNDERING	5
● OBTAINING PROPER LICENSING AND APPOINTMENTS	5
● ADVERTISING AND SALES MATERIALS	5
● PROVIDING FULL DISCLOSURE	6
● REPLACEMENTS	8
● CONFIDENTIAL COMPANY AND CLIENT INFORMATION	8
● CUSTOMER FUNDS/PREMIUM HANDLING	9
● CONDITIONAL RECEIPT	9
● PAYMENT CARD INDUSTRY – DATA SECURITY STANDARDS (PCI-DSS)	10
● POLICY DELIVERY	10
● CLAIMS INVOLVEMENT	10
● DOCUMENT RETENTION	10
● DO NOT CALL REQUESTS AND TRAINING (TELEMARKETING)	10
● COMPLAINTS	11
● CERTIFICATIONS AND DESIGNATIONS USAGE	11
● QUALITY ASSURANCE	12
● FINANCIAL EXPLOITATION OF ELDERLY AND DISABLED ADULTS	12
● CALIFORNIA SALES TO SENIORS	12
● SIGNATURE ACKNOWLEDGMENT –	
○ MASTER AGENT	13
○ GENERAL AGENT	14
○ AGENT	15

Gerber Life's Compliance Commitment

Gerber Life is committed to fair and ethical sales practices for all its customers. Gerber Life is also committed to complying with applicable laws and regulations. Gerber Life will maintain and enforce policies and procedures to reasonably assure compliance, including systems for communicating all company requirements and monitoring sales practices. Agents appointed by Gerber Life are expected to uphold these principles and guidelines as set forth in the manual and other communications issued by Gerber Life. A violation of these guidelines by an agent will result in disciplinary action including, if appropriate, termination of the relationship with the company.

■ Why is Compliance Important?

To put it simply, compliance means doing the right thing. It means serving the client ethically and honestly, presenting products accurately, and following our rules as well as federal and state requirements. The scrutiny being placed on both agents and insurance companies is intensifying in the wake of lawsuits that are being filed and multi-million dollar fines that are being imposed. That is why it is critical for the agent to become familiar with federal and state regulations as well as the compliance requirements of Gerber Life.

■ Ethical Principles

Gerber Life is committed to high standards of ethics and integrity, and Gerber Life will continue to hold itself to these standards every day.

Ethics

A set of principles of right conduct

Integrity

Adherence to a strict ethical code

■ Antitrust and Competition Laws

Antitrust and competition laws are designed to protect consumers by preserving competition in the marketplace. To preserve competition, prices must be set honestly, independently, and without agreements between competitors.

In conducting company business, all agents must engage in fair competition. Fair competition means that the company and its agents will not use tactics that unfairly hurt competitors or consumers. In particular, agents must provide only information that is factually accurate and must avoid withholding information that is clearly relevant to the client's decision to buy an insurance product. To this end, agents must not engage in (i) making disparaging remarks about competitors; or (ii) anti-competitive or unfair or deceptive trade practices.

Gerber Life prides itself on selling its products based on their qualities, not by manipulating, concealing, or disparaging its competitors or their products or services. Our agents should not provide untrue, unsubstantiated, or non-public information about a competitor to any client or other party in order to gain a business advantage.

■ Insurance Fraud

Fraud occurs when someone misrepresents information or deceives someone in order to obtain a monetary benefit or harm another person.

Fraud can be committed in a number of ways and by a number of different people, including clients, employees, agents, or other third parties. Everyone must do their part to prevent fraud and report any suspected fraudulent behavior to the Gerber Life Compliance Department at: glic-compliance@us.nestle.com

Examples of Fraud may include:

- Theft of Gerber Life or customer funds.
- Falsification or the intentional omission of information on a claim form or policy application.
- Deception of customers in connection with the sale of Gerber Life's products.

Gerber Life has made Anti-Fraud training available to agents on the portal.

■ USA Patriot Act

The USA Patriot Act was enacted to combat terrorism and detect and prevent money-laundering activities. Under the USA Patriot Act, financial institutions, including life insurers, are required to establish anti-money laundering policies and procedures.

Some suspicious activities which indicate that a transaction may not reflect a legitimate business purpose include:

- The purchase of a single lump sum contract by a customer whose previous product experience is with smaller, regular payment products;
- Payment for contracts with a third-party check;
- A customer who shows no concern for the product performance, but much concern for the surrender or early cancellation of the contract;
- Payments by cash, when this type of business transaction would normally be handled by check or other payment instructions;
- Lump sum payments with foreign currency or foreign wire transfer;
- Purchases beyond customer's apparent means;
- Purchases where the source of funds is unclear;
- Borrowing from a single premium policy shortly after paying for the policy;
- Early cancellation of a single premium policy; or
- Payments made by checks or money orders from multiple bank accounts.

■ Anti-Money Laundering

Money laundering is the illegal practice of placing money gained from criminal activity through a series of apparently legitimate transactions in order to hide the criminal origin of the money and make the money appear to be from legitimate sources. Money laundering laws not only prohibit active participation but also prohibit passive participation in a laundering scheme. Therefore, it is imperative that agents truly know their customers and their objectives. Agents that participate passively or actively in a money laundering scheme may be fined and/or face criminal charges.

Gerber Life is committed to preventing money laundering when conducting our business. It is important that everyone is aware of money laundering “red flags” and that the agent reports any potential money laundering activities to Compliance (see Reference Guide on page 12 for specific contact information).

All newly hired agents must receive anti-money laundering training within 90 days of the date of hire and annually thereafter.

■ Obtaining Proper Licensing and Appointments

It is the agent’s responsibility to secure and keep in effect any licenses, registrations, and appointments required to represent Gerber Life. Since each state has its own licensing requirements, the agent must abide by the statutes and regulations in each state where they are doing business. State laws require, at a minimum, all agents to be licensed and to have appropriate lines of authority in the state where the sale, solicitation, or negotiation takes place.

Activities that require a license include, but are not limited to:

- Recommending a particular type of insurance policy or insurer;
- Collecting premium in any manner;
- Explaining coverages and benefits to prospects;
- Quoting rates;
- Taking an application for insurance from a prospect;
- Attempting to sell insurance;
- Conferring directly with or offering advice regarding a particular contract concerning benefits, terms, or conditions of the contract to a prospect.

■ Advertising and Sales Materials

Gerber Life is committed to ensuring that all advertising materials used to promote our products meet the criteria required by statute, regulation, and the company’s internal standards. Gerber Life is also committed to protecting its assets, which include service marks, trademarks, trade secrets and copyrights.

- Compliance with Gerber Life’s guidelines includes requesting a review and approval of agent-created websites and advertising materials that refer to or represent the Gerber Life products.
- Any use of Gerber Life’s logo, company information, product/plan rates on a website must be submitted to Gerber Life’s Legal/Compliance Department for review and approval before public use.
- All Producer-created advertising materials must be submitted to Gerber Life’s Legal/Compliance Department for review and approval before use.

- All Gerber Life product training materials must be submitted to Gerber Life's Legal/Compliance Department for review and approval before use. See page 12 for specific contact information.

Gerber Life's definition of Advertising:

(1) "Advertisement" means material designed to create public interest in life insurance or annuities or in an insurer, or in an insurance producer; or to induce the public to purchase, increase, modify, reinstate, borrow on, surrender, replace or retain a policy including:

- (a) Printed and published material, audiovisual material, and descriptive literature of an insurer or insurance producer used in direct mail, newspapers, magazines, radio and television script, billboards and similar displays;
- (b) Descriptive literature and sales aids of all kinds, authored by the insurer, its insurance producers, or third parties, issued, distributed or used by the insurer or insurance producer; including but not limited to: all electronic communications web chat, e-mail, social media, text messages, circulars, leaflets, booklets, web pages, depictions, illustrations and form letters;
- (c) Material used for the recruitment, training and education of an insurer's insurance producers which is designed to be used or is used to induce the public to purchase, increase, modify, reinstate, borrow on, surrender, replace or retain a policy;
- (d) Prepared sales talks, presentations and materials for use by insurance producers.

(2) "Advertisement" shall not include:

- (a) Communications or materials used within an insurer's own organization and not intended for dissemination to the public;
- (b) Communications with policyholders other than material urging policyholders to purchase, increase, modify, reinstate or retain a policy;
- (c) A general announcement from a group or blanket policyholder to eligible individuals on an employment or membership list that a policy or program has been written or arranged; provided the announcement clearly indicates that it is preliminary to the issuance of a booklet explaining the proposed coverage.

Advertising provided by Gerber Life is already approved by the company. Any change or modification to advertising supplied by Gerber Life must also be approved by Gerber Life's Legal/Compliance Department.

■ Providing Full Disclosure

The agent is required to fully disclose, both to the consumer and to the company, all information that may affect any coverage. Failure to provide full disclosure to the consumer may result not only in loss of benefits for the consumer, but cancellation or rescission of the contract. Full disclosure also means disclosing that the agent is acting as an insurance agent on behalf of Gerber Life, and clearly identifying

that the products being offered are insurance products. It is critical that the agent makes sure that the consumer clearly understands the product they are purchasing.

In addition, a number of states have enacted specific laws and regulations prohibiting the use of “senior-specific” certifications or professional designations that indicate or imply in such a way as to mislead a consumer. No agent shall have special certification or training in advising or providing services to seniors in connection with the solicitation, sale, or purchase of life insurance or in the provision of advice as to the value of or the advisability of purchasing or selling a life insurance policy, either directly or indirectly, through publications or writings, or by issuing or creating reports related to a life insurance policy.

No agent may use the terms “financial planner”, “investment advisor”, “financial consultant”, “financial analyst”, “financial counselor”, or other similar terms to imply that the agent’s compensation is unrelated to insurance sales. However, this will not preclude an agent who holds a formally recognized financial planning or consultant designation from using their designation when selling insurance

NY Only-Regulation 194- Producer Compensation Disclosure:

New York requires agents to provide compensation disclosure to the person purchasing an insurance policy. Those disclosures are required to be made at or prior to the time of application, and may be required at a later date as well. The disclosures must include, but are not limited to: the agent’s role, who the agent will receive compensation from, the factors which may cause the compensation to vary and the nature, amount and source of the compensation.

If the compensation was not known at the time of disclosure, then the Agent selling the policy must provide a disclosure regarding circumstances that may determine the compensation and an estimate.

The Agent must not make any contradictory statements regarding the compensation disclosures or any statements regarding the sale that the Agent knows are not accurate.

The agent is required to retain a copy of any written disclosures for at least three years.

For complete information as to when the disclosures must be provided and the information each disclosure must contain please read New York Regulation 194.

■ Replacements

Gerber Life accepts applications for life insurance replacements in certain circumstances. The agent must make themselves aware of these circumstances before accepting an application that indicates that it is a replacement.

Depending on circumstances, a replacement may or may not be in the best interest of a client. The Agent has the responsibility to make sure that the client has all of the necessary facts in order to determine if the replacement is in his or her best interest. A replacement may be in the client’s best interest if:

- The benefit amount can be increased for the same or similar premium;
- The contract can remain in force longer for the same or similar premium;
- The accumulation value will increase for the same or similar premium;

- The premium payment period is shorter for the same or similar premium;
- The customer can purchase the same benefits for a lower premium.

Comparisons between an existing product and a proposed product must accurately and fairly describe the contracts' provisions and values. The agent should discuss the advantages and disadvantages of any potential replacement with their client. The following points should be addressed:

- Any required evidence of insurability;
- The contestability and suicide provisions of the existing and proposed contract;
- The loan provisions and loan interest rate of both contracts;
- Any surrender charges and/or expense fees associated with both contracts;
- The premium requirements of the proposed contract;
- The present and future values of both contracts;
- The current interest and mortality charges of both contracts;
- The potential tax treatment of the replacement and whether the replacement can qualify as an Internal Revenue Code Section 1035 exchange.

The definition of replacement goes beyond the surrender of one contract and subsequent purchase of another contract. All agents should be aware of all transactions that could be considered a replacement. For example, a replacement may occur when a contract has been or is to be:

- Lapsed, forfeited, surrendered, or otherwise terminated;
- Converted to reduced paid-up insurance, continued as extended term insurance, or otherwise reduced by the use of non-forfeiture benefits;
- Reduced in value through a withdrawal or partial surrender;
- Reissued with a reduction in cash value;
- Pledged as collateral or subjected to borrowing where the aggregate loan exceeds a state specified percentage of the loan value of the existing contract;

Amended by reducing or eliminating ancillary benefits, such as waiver of premium or accidental death benefits a replacement can be internal or external. An internal replacement occurs when an existing contract is exchanged for a new contract from the same insurer. Gerber Life Insurance Company does not permit internal replacements. An external replacement occurs when a contract is replaced by another insurer. Only the agent and the client can decide if the replacement is suitable. When a replacement is appropriate, be certain to use appropriate disclosure forms.

■ Confidential Company and Client Information

Gerber Life, its associates and agents, must always properly handle and use confidential information. Confidential information includes all non-public information that might be of use to competitors or harmful to Gerber Life, its customers, or its employees, if improperly accessed, used, or disclosed. This includes Gerber Life's proprietary information, as well as certain information about its customers and employees. Gerber Life will not use confidential information that was improperly obtained from the owner of the information or a third party.

It is important that everyone does their part to safeguard confidential information. All confidential

information is sensitive, but certain types of information require special care in handling, including non-public personally identifiable information, protected health information, and financial information. When handling confidential information, the agent must make sure that it secures it, does not leave it unattended, does not discuss it in public, and transmits it using a secure method.

Examples of non-public personally identifiable information include:

- First and last name
- Social security number
- E-mail address
- Bank Account number

Examples of protected health information include:

- Information about an individual's health condition
- Information about an individual's health care

Examples of proprietary information include:

- Pricing information
- Customer lists
- Technology, products, and systems

If the agent stores confidential information electronically on personally-owned equipment or media, it is recommended that this information be protected by use of encryption software. At a minimum, confidential information should be password protected and firewalls used as appropriate.

■ **Customer Funds/Premium Handling**

The agent is responsible for submitting premiums promptly to Gerber Life. Gerber Life prohibits agents from accepting cash payments from consumers and also prohibits commingling of funds. Any premium collected from a customer must be kept separate from any personal or business account and must be immediately submitted to Gerber Life. All checks from a consumer or prospective customer received by the agent must be made payable to "Gerber Life Insurance Company".

Agents are not authorized to accept checks made payable to the agent, "cash" or "bearer", and are prohibited from accepting two-party checks. If a money order is remitted, the customer must obtain the money order on their own. Agents cannot purchase money orders for their customers. In the event a customer tenders an unacceptable form of payment, the agent must explain what forms of payment are acceptable and return the unacceptable payment immediately.

■ **Conditional Receipt/Receipt**

If payment is provided at time of application, a conditional receipt (form CRUW-2011 for underwritten products) or a Receipt (form CRGI-2011 for guaranteed-issue products) must be provided to the

customer. This does not apply to Automated Clearing House or credit cards, it only applies to check or money order payments.

■ **Payment Card Industry – Data Security Standards (PCI-DSS)**

In order to comply with regulations relating to Payment Card Industry, (PCI) Gerber Life strongly urges everyone when handling credit card or banking information to:

1. Use Gerber Life’s Agency Portal to submit the information when applying for life insurance coverage; and
2. If credit card or bank account information is being written on paper it should be destroyed as soon as it has been submitted to Gerber Life.

If you would like to learn more about PCI compliance please consult with the PCI Security Standards Council website, on the web at: <https://www.pcisecuritystandards.org>.

■ **Policy Delivery**

Policies must be delivered in a timely fashion to clients. If a consumer does not accept the policy as issued, the agent must return the original policy to the company as soon as possible. Gerber Life mails most policies directly to policy owner. If an agent delivers the policy they are required to submit a Delivery Receipt to Gerber Life.

■ **Claims Involvement**

Gerber Life prohibits agents from involvement in any client’s claim. All inquiries from clients or beneficiaries should be referred to the company’s Life Claims Department at 1-800-700-6439.

■ **Document Retention**

State laws require agents to maintain records of all transactions under their license at their place of business. Experience indicates that records agents keep will be the best (or only) method to establish care and professionalism exercised when dealing with a particular client. Carefully maintained files also provide the best protection against inappropriate or wrongful complaints or legal claims in the future.

The appropriate time to build such files is when a particular transaction is in process. It can be difficult or impossible to reconstruct the file months or years later when questions or issues arise. State regulations vary regarding the amount of time that client files are to be maintained. However, a general rule of thumb is to maintain all active client files indefinitely and all non-active files for seven years after the policy ceases to be in force. Agents should familiarize themselves with the specific requirements of each jurisdiction in which the agent is licensed. In maintaining these records, agents must keep all information and documentation relating to clients confidential unless permitted by law and available for inspection by Gerber Life upon request.

■ **Do Not Call Requests and Training**

Federal and state laws prohibit telephone solicitations to consumers who have placed their telephone numbers on a “Do-Not-Call” list. This includes activities by agents who make unsolicited calls to set up appointments or generate leads. The penalties for noncompliance can be significant. Violators can incur up to \$16,000 per violation. Callers can be sued and may have to pay damages to the people they called if their telephone number is on a “Do Not Call” list. It is the agent’s responsibility to comply with Do Not Call and telemarketing laws. If a Do Not Call related request or complaint is received, it is the agent’s responsibility to notify Gerber Life immediately.

Each agent who makes telephone solicitation calls on Gerber Life's behalf must comply with the Telemarketing Compliance Monitoring Program Vendor Guidelines including, but not limited to training, reporting, document retention, and script review requirements. Please contact Gerber Life Compliance Department at glc-compliance@us.nestle.com for a copy of the Monitoring Program Guidelines.

■ Complaints

Working earnestly to resolve customer dissatisfaction strengthens relationships with existing customers and helps enhance the company's and the agent's reputation for responsive service. In addition, prompt and fair responses to complaints and the maintenance of complaint records are required by law.

Complaints are written communications expressing any grievance with the company, its services, practices, products, employees or agents. Differentiating an actual complaint from a misunderstanding or an inquiry requires judgment. A communication from a customer is probably a complaint if the customer claims (i) he or she has not received expected benefits or service; (ii) the company or an agent has made a mistake or has acted in a way prejudicial to the customer; or (iii) he or she is displeased with the company or its agents.

All complaints received by the Agent must immediately be forwarded to Gerber Life Compliance Department. The Agent must not, under any circumstances, attempt to resolve a complaint on his/her own or offer to make any payments to a client from the Agent's personal funds to resolve a complaint without prior approval from the Gerber Life Compliance Department.

It is inappropriate and unacceptable for any Gerber Life agent to initiate any discussion of a settlement of any complaint. While your input may be solicited, Gerber Life retains the absolute and unilateral right to settle and resolve any complaint in its sole discretion. Gerber Life also reserves the right to charge back commissions pursuant to the terms of the Agent contract.

Report All Complaints Immediately to: glc-compliance@us.nestle.com

If Gerber Life receives a complaint regarding a policy written by an agent, the agent may be contacted for a written response. The response must address all concerns stated in the complaint and should include copies of any documentation referenced in the response.

It is important to Gerber Life and required by state insurance departments and other organizations (e.g. the Better Business Bureau) to resolve a customer's complaint in a timely manner. Gerber Life's internal standard for compliant resolution is 15 business days. Therefore, a timely response is necessary. In an effort to keep the investigative process objective, Gerber Life shall not assist in formulating an agent's response.

■ Certifications and Designations Usage

Insurance specific certifications and professional designations are an important resource for agents when dealing with the public. Such certifications and designations signify a degree of accomplishment that can impress a consumer and instill a sense of confidence when dealing with important subjects like insurance and financial planning. No agent should use, advertise, or imply that they have any professional certification, designation, or training that they have not actually earned and maintained.

■ **Quality Assurance**

Gerber Life reserves the right to implement any quality assurance processes that it determines to be reasonably necessary to ensure the agent's compliance with the terms of this Agent Compliance Manual.

■ **Financial Exploitation of Elderly and Disabled Adults**

Senior Protection legislation has been adopted in many states. Along with suitability, replacement and consumer protection laws, this legislation generally provides broad protection to seniors. Gerber Life agents are expected to be familiar with the applicable laws of the states in which they conduct business and comply with all applicable regulations.

Financial Exploitation is the illegal or improper use of property or funds belonging to an Elderly Individual or Disabled Adult for the profit or advantage of someone else. Gerber Life is committed to the prevention and detection of Financial Exploitation in our insurance business.

■ **California Sales to Seniors (Face to Face in Customer's Home)**

California Agents are required to provide a sales disclosure notice before meeting with California residents age 65 and older in their home to offer, sell, or generate leads for the sale of life insurance. If the applicant is age 65 and older, a completed California Sales Disclosure to Senior form must be provided in writing at least 24 hours but not more than 14 days before the meeting in most instances. The California Sales Disclosure to Senior form with instructions can be accessed on the Agency Portal and Forms Pipe. Agent/Agencies should retain a copy of the form in their records, do not send to Gerber Life.