Standard of Care Guidelines for Producers - Suitability and Best Interest

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Intent of the Standard of Care Guidelines for Producers

To help you make appropriate recommendations under the applicable standard of care, Athene Annuity and Life Company and Athene Annuity & Life Assurance Company of New York ("Athene") are providing the following information about Athene's standard of care review process. The standard of care program was put in place to benefit both you and the consumer and the following guidelines are designed to identify and discourage inappropriate sales and replacements in order to help you meet regulatory requirements.

This document includes specific scenarios you may encounter when collecting information to make an appropriate determination under the applicable standard of care and is intended to help you understand Athene's guidelines if you are considering recommending an Athene annuity. The guidelines are not all inclusive and are subject to change. Adherence to the guidelines does not guarantee Athene will determine the purchase of an annuity or replacement of a life insurance policy or annuity suitable for the consumer.

Company Position

Athene is committed to meeting the needs of consumers through appropriate annuity sales. All recommendations for the purchase of an annuity, or the exchange of an annuity or life insurance product, should be appropriate for the consumer under the applicable standard of care based on information known by the producer at the time the recommendation is made. Prior to making a recommendation, the producer must obtain relevant information from consumers regarding their insurance needs and financial objectives. When giving a recommendation you should also remind consumers to discuss their annuity purchase with their tax advisor or legal professional.

For additional information about Athene's standard of care policies, please see "Doing Business with Athene Producer Guide."

Standard of Care Review Process

The objective of Athene's Standards Review Team (SRT) is to review applications to ensure appropriate documentation exists to support the recommended sale. The Athene standard of care review process is designed for compliance with applicable regulations by documenting the producer's reasonable basis for making the recommendation. Please note that if needed, Athene may contact you during the standard of care review to request additional information and/or form corrections from either yourself and/or the consumer.

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1. Consumer Contact

You and the consumer(s) should be aware that Athene may contact the consumer(s) by phone as part of our standard of care review. For consumers purchasing a fixed indexed annuity, Athene routinely calls all consumers aged 75 and above and all consumers applying for an internal replacement. Additionally, Athene reserves the right to contact any consumer directly as part of its standard of care review.

For additional information regarding consumer contact, please see form 21841.

2. Householding

Householding is defined as "applicant and applicant's spouse or domestic partner, as applicable by state law." When Athene is performing a standard of care review, the producer and consumer are required to complete the suitability information based on the household's financials. If multiple household applications are being submitted at the same time, the financials should match for the household.

3. Suitability and Best Interest Guidelines and Declines

There are situations where Athene may decline to issue a contract because the recommendation does not comply with the applicable standard of care. Examples of those situations may include, but are not limited to:

a. **Annuity to Net Worth Ratio**
   i. For consumers with a net worth of $100,000 or under, Athene does not accept applications for consumers who currently have or would have higher than 50% of their net worth in annuities.
   ii. For consumers with a net worth above $100,000, Athene may accept up to 70% of their net worth in annuities. Approval up to 75% is at the discretion of Athene and additional information may be required from the consumer and/or producer.
   iii. Athene may not accept applications for consumers who currently have or would have 75% or higher of their net worth in annuities.
   iv. Annuity to net worth ratio includes both annuities in surrender term and out of surrender term.
   v. This includes all forms of annuities, including, but not limited to: Fixed, Fixed Indexed, Variable, Registered-Index-Linked, IRA, 403(b) and 457(b) annuity plans.
   vi. Calculation: see 5.b.i

b. **Surrender Loss on Annuity and/or Life Insurance Replacements**
   i. Athene may accept replacements that would result in a net surrender loss of 2% or less, after any applicable Athene premium bonus, excluding CA, MN and NY.
   ii. Athene may accept replacements that would result in net surrender loss up to 6%, after any applicable Athene premium bonus, with appropriate rationale and documentation. Approval of up to 6% net surrender loss, after any applicable Athene premium bonus, is at the discretion of Athene and will require a letter of explanation that is physically signed and dated by both the owner(s) and the writing producer. The letter of explanation must acknowledge the surrender loss, why the application is suitable and how the replacement is in the best interest of the consumer.
   iii. Income Base Bonuses and/or Benefit Base Bonuses cannot be used to offset surrender loss.
   iv. California – after any applicable premium bonus, Athene does not allow any replacements that would result in a net surrender loss.
   vi. New York – Athene does not allow any replacements that would result in a net surrender loss.
   vii. Minnesota – Athene does not allow solicitation or submission of an application until the initial surrender term period of the existing annuity and/or life insurance has passed. This includes full, partial and penalty free replacements. In addition, Athene does not allow any replacements that would result in a net surrender loss.
   viii. Calculation: see 5.c.i

c. Liquid Assets

i. A consumer under the age of 59.5 must have a minimum of three months of expenses covered by liquid assets.
   1. Liquid assets can include:
      a. Checking/savings
      b. Stocks/Bonds/Non-Qualified Mutual Funds (excluding B shares)
      c. Non-qualified certificate of deposit
      d. Non-qualified money markets/brokerage accounts (excluding B shares)
      e. Cash/Precious Metals (excluding jewelry, coins, etc.)
      f. Thrift Savings Plan (if age 55 or above and separated from service)
   2. Liquid assets cannot include:
      a. Assets where the consumer would pay a penalty, charge, fee, etc. for accessing the funds.

ii. A consumer aged 59.5 or above must have a minimum of six months of expenses covered by liquid assets.
   1. In addition to the liquid assets allowed for under age 59.5, consumers aged 59.5 or above can include:
      a. Qualified assets
      b. Annuities out of the surrender term
      c. Penalty free withdrawals
      d. 401k funds, if the consumer is separated from service.
   2. Liquid assets cannot include:
      a. Assets where the consumer would pay a penalty, charge, fee, etc. for accessing the funds.

iii. Athene does not allow the consumer's personal property to be included in their household liquid assets. Examples of personal property include, but are not limited to:
   1. Firearms
   2. Furniture
   3. Appliances
   4. Household items
   5. Clothing (including purses, shoes, etc.)
   6. Jewelry (including rings, earrings, watches, bracelets, necklaces, etc.)

iv. Other items that cannot be included in a consumers liquid assets include, but are not limited to:
   1. Health savings account (HSA)
   2. Cash value of life insurance
   3. Home equity lines of credit (HELOC)
   4. Lines of credit
   5. Anything where an interest rate is being paid
   6. Funds from a reverse mortgage
   7. Equipment/tractors/tools/farm equipment
   8. Antiques
   9. Automobiles (including motorcycles, boats, ATVs, classics, vintage, RVs, etc.)

d. Household Net Worth

i. Net worth cannot include:

1. Primary residence and/or the land it is on
2. Automobiles (including motorcycles, boats, ATVs, classics, vintage, RVs, etc.)
3. Personal property (as outlined in the Liquid Assets section)

ii. Calculation: see 5.a.i

e. Negative Monthly Income

i. Athene does not accept applications for consumers who have, or would have, negative monthly income.

ii. Calculation: see 5.h.i

f. Disposable Monthly Income

i. Athene requires a consumer to have a minimum of $500 disposable income each month after all expenses have been paid.

ii. If the consumer has between $1 and $499 disposable income each month after all expenses have been paid, Athene will require a minimum of twelve months' worth of income to be covered by liquid assets.

iii. Calculation: see 5.g.i

g. Unemployment

Athene does not allow consumers who are currently unemployed to purchase an annuity, unless the consumer has a spouse (or domestic partner, if applicable under state law) with monthly income sufficient to cover all household monthly expenses, excluding any unemployment income.

h. Reverse Mortgage

Athene does not allow annuities to be funded by a reverse mortgage or mortgage related transaction.

i. Income Rider (including 2-tiered annuity contracts) to Income Rider Replacements

i. Athene must provide a higher guaranteed income payout than the annuity being replaced at the time the consumer anticipates starting income.

ii. If the new Athene annuity does not provide a higher guaranteed income payout, that replacement will be declined.

j. Income Rider Forfeiture

i. If the consumer currently has an annuity with an income rider (or two-tiered annuity contract) and they will be replacing that with an Athene product that does not offer an income rider, this is deemed an income rider forfeiture.

ii. Athene may not allow income rider forfeitures where the variance between the income rider value and the surrender value on the existing contract is greater than 75%.

iii. Income base bonuses and/or benefit base bonuses cannot be used to offset income rider loss.

iv. The consumer must provide a detailed explanation on the product comparison worksheet describing what has financially changed since the current annuity with an income rider was purchased such that the income it would provide is no longer needed now or in the future.

1. Generic answers, such as the below examples, are not acceptable (this is not an all-inclusive list):
   a. Their needs and objectives have changed.
   b. They no longer need the income rider or payout it would provide.
   c. They never understood how the income rider worked.
   d. They didn't know they had an income rider.
   e. The income rider product was mis-sold to them.
   f. They no longer want to pay a fee or charge for the income rider.
   g. They no longer want market risk.
2. If the consumer is not able to provide a detailed explanation for the income rider being forfeited, Athene will not be able to accept the replacement.

v. Calculation: see 5.e.i

k. Death Benefit Loss

i. Annuities

1. Death benefit value includes any value payable upon death:
   a. Lump sum death benefit value
   b. Annuitized death benefit value
   c. Lump sum death benefit rider value
   d. Annuitized death benefit rider value
   e. Income rider value payable as a death benefit in lump sum
   f. Income rider value payable as a death benefit over a period of time
2. Athene may accept replacements if the variance between the surrender value (after any applicable Athene premium bonus) and the death benefit and/or death benefit rider value is:
   a. Consumer(s) age 69 and under: within a variance of 10%
   b. Consumer(s) age 70-74: within a variance of 5%
   c. Consumer(s) age 75 and above: within a variance of 3%
3. For replacements where Athene will provide a higher guaranteed income payout, where Athene will provide an income rider that is not currently available to the consumer or where a variable annuity is being replaced for principal protection, Athene may accept replacements if the variance between the surrender value (after any applicable Athene premium bonus) and the death benefit and/or death benefit rider value is:
   a. Consumer(s) age 69 and under: within a variance of 20%
   b. Consumer(s) age 70-74: within a variance of 15%
   c. Consumer(s) age 75-79: within a variance of 10%
   d. Consumer(s) age 80 and above: within a variance of 3%
4. Athene may accept replacements that would result in death benefit/death benefit rider loss up to 2x current guidelines with appropriate rationale and documentation. Approval of up 2x current guidelines is at the discretion of Athene and will require a letter of explanation that is physically signed and dated by both the owner(s) and the writing producer. The letter of explanation must acknowledge the benefit loss, why the application is suitable and how the replacement is in the best interest of the consumer.
5. An Athene death benefit rider that is payable over 5-10 years cannot be used to offset a lump sum death benefit value with the existing annuity.
6. Calculation: see 5.d.1

ii. Life Insurance

1. Athene may not accept any replacements from a life insurance contract if the death benefit variance is over 700%.
2. The consumer must provide a detailed explanation on the product comparison worksheet describing what has changed since the life insurance policy was purchased such that they no longer need or want the death benefit provided by such policy.
   a. Generic answers are not accepted as specific details must be provided.
   b. If the consumer is not able to provide a detailed explanation for the life insurance forfeiture, Athene will not be able to accept the replacement.
3. Calculation: See 5.f.i

l. Consumer Needs/Objectives

If the consumer needs/objectives selected on the applicable Suitability and Best Interest Worksheet are not met by the product, Athene will decline the application.

m. Replacements Solicited and Submitted Prior to an Upcoming Anniversary Date

i. External replacements solicited and written prior to an upcoming anniversary date.

1. If an external replacement is being recommended and Athene is expected to wait until an upcoming anniversary date to process and/or transfer the funds, suitability will not be reviewed and/or approved prior to the anniversary date.

a. If the application/forms signature date is 30 days or less from the anniversary date of the contract being replaced, Athene will require an updated product comparison worksheet (PCW) from the consumer. The updated PCW can either be a new PCW signed and dated after the anniversary date or the current PCW can be corrected, initialed and dated by the consumer after the anniversary date. Athene will also require a complete statement from after the anniversary date.

b. If the application/forms signature date is more than 30 days from the anniversary date, the application will be declined and Athene will require the contract to be resolicited, rewritten and resubmitted after the anniversary date. All new paperwork will be required including a complete statement from after the anniversary date.

ii. Internal replacements solicited and written prior to an upcoming anniversary date.

1. If an internal replacement is being recommended and Athene is expected to wait until an upcoming anniversary date to process and/or transfer the funds, this will only be allowed if the following conditions are met:

a. The replacement, as of the signature date on the forms, already meets all internal replacement guidelines.

b. The application/forms signature date is no more than 30 days from the anniversary date.

2. If the internal replacement does not currently meet internal replacement guidelines and/or the signature date is more than 30 days from the anniversary date, the application will be declined and Athene will require the contract to be resolicited, rewritten and resubmitted after the anniversary date. All new paperwork will be required.

n. High Fixed Rate Replacements

Athene does not allow replacement of annuities or life insurance if the current fixed rate is 5% or higher unless the consumer receives a higher fixed rate with the new Athene product.

o. Suitability and Best Interest Client Calls/Consumer Contact

Athene may not approve an application if:

1. The consumer demonstrates a general lack of awareness about the sales transaction, including the benefits/features of the annuity and/or conditions, limitations or restrictions on receiving funds from the Athene annuity.
2. Their financial information, financial situation, future needs and/or objectives were not discussed with the writing producer prior to completing the application.
3. If the producer who signs the application was not the producer or solicited, sold and wrote the application.

p. Outstanding Loans

If the consumer currently has a loan on the contract they are trying to replace, Athene will not allow the replacement until the loan has been satisfied.

q. Lack of Information to Support the Sales Recommendation

Athene may not approve an application if we do not have appropriate information to support the recommendation to the consumer.

r. Inconsistent Information

Athene may not approve an application if we receive inconsistent information from the producer, consumer(s) and/or the documentation being submitted.

s. Minimum Timeframe Requirement for Annuity and/or Life Insurance Replacements

Athene may not accept replacements if the current annuity and/or life insurance contract was issued within the previous 24 months, including partial and penalty free withdrawals, or if the annuity has not yet reached its first crediting anniversary, whichever is longer.

t. Long Term Care

An Athene annuity does not provide long term care (LTC) insurance nor is it a suitable substitute for such coverage. Therefore, an LTC benefit is not an acceptable reason to purchase an Athene annuity. Any reference to LTC will require producer and/or consumer corrections.

u. California

Purchasing an Athene annuity to attempt to qualify for means-tested government benefits in California is not allowed and will not be approved.

v. Missouri

Athene is required to review a household's financial information over the previous three years when a new application is received for a consumer who owns an Athene annuity. Athene may require additional information from the consumer to explain significant changes to financial information.

w. New York

Athene will not approve an application if:

1. The consumer does not understand and/or does not accept that there are non-guaranteed elements in the annuity.
2. The producer did not describe the limitations, if any, on the types of financial products they can offer before recommending the annuity.
3. The producer did not determine, based on the consumer's objectives, risk tolerance, financial circumstances and needs, that the purchase of a fixed annuity was in the consumer's best interest.
4. In the producer's professional opinion, the annuity is not in the consumer's best interest, as compared to other annuity options.

4. Letters of Explanation (Producer and Consumer)

During the suitability review process, if Athene determines that a producer and/or consumer letter of explanation could help with the suitability review, Athene will reach out to the producer asking for that to be submitted. Once received, Athene will review and make the suitability decision. Producers are encouraged to submit letters of explanation when they submit the initial application. The producer and/or consumer letters of explanation must be individualized and provide details for the consumer's specific situation. Submission of generic or repetitive rationale across consumers will not be accepted. Providing the requested letter of explanation does not guarantee the approval of any application as Athene reserves the right to decline any application regardless of a letter of explanation being provided.

5. Loss Calculations

a. Household Net Worth

Household Liquid Assets + Household Non-Liquid Assets – Household Liabilities/Debt

Example: liquid assets = $150,000, non-liquid assets = $400,000, liabilities/debt = $50,000

Equation: $150,000 + $400,000 - $50,000 = $500,000 (total household net worth)

b. Annuity to Net Worth Ratio

Total of all Household Annuities / Household Net Worth

Example: household annuities = $325,000, household net worth = $500,000

Equation: $325,000 / $500,000 = 65% annuity to net worth ratio

c. Surrender Loss

(Surrender Value (after any applicable premium bonus) – Accumulated Value) / Accumulated Value

Example: surrender value = $285,000, accumulated value = 325,000, premium bonus = 10%
(Surrender value after premium bonus = $285,000 + 10% = $313,500)

Equation: ($313,500 - $325,000) / $325,000 = - 3.54% surrender loss

d. Death Benefit Loss

(Surrender Value (after any applicable premium bonus) – Death Benefit Value) / Surrender Value (after any applicable premium bonus)

Example: surrender value = $285,000, death benefit value = $350,000, premium bonus = 10%
(Surrender value after premium bonus = $285,000 + 10% = $313,500)

Equation: ($313,500 - $350,000) / $313,500 = -11.64% death benefit variance

e. Income Rider Loss

(Surrender Value (after any applicable premium bonus) – Income Rider Value) / Surrender Value (after any applicable premium bonus)

Example: surrender value = $285,000, income rider value = $450,000, premium bonus = 10%
(Surrender value after premium bonus = $285,000 + 10% = $313,500)

Equation: ($313,500 - $450,000) / $313,500 = -43.54% income rider variance

f. Life Insurance Loss

Death Benefit Value / Surrender Value (after any applicable premium bonus)

Example: death benefit value = $750,000, surrender value = $180,000, premium bonus = 10%
(Surrender value after premium bonus = $180,000 + 10% = $198,000)

Equation: $750,000 / $198,000 = 379% death benefit variance

g. Disposable Monthly Income

(Total Annual Household Income – Total Annual Household Expenses) / 12

Example: annual household income = $150,000, annual household expenses = $120,000

Equation: ($150,000 - $120,000) / 12 = $2,500 disposable monthly income

h. Negative Monthly Income

(Total Annual Household Income – Total Annual Household Expenses) / 12

Example: annual household income = $150,000, annual household expenses = $170,000

Equation: ($150,000 - $174,000) / 12 = -$2,000 negative monthly income

6. Suitability and Best Interest Decline Reconsiderations Process

For all declined cases where the producer is asking for additional information regarding the decline reason and/or asking to have the decline decision reconsidered, Athene has created a decline reconsideration request form to be completed and sent in for review. Along with the completed and signed reconsideration form, the producer must provide any corrections to the suitability form and/or PCW that led to the suitability decline. Correction to financial information on the suitability form and/or PCW must be initialed and dated by the owner(s). Other changes may be made by and initialed/dated by the producer. In addition to the completed reconsideration form and corrections to the suitability form and/or PCW, the producer must also provide documentation supporting all changes being made. All changes to the suitability form and/or PCW must be accurate and consistent with the documentation provided to Athene or Athene may maintain the decline decision.

A Letter of Explanation (LOE) providing background on the changes and explaining the reason(s) for any change should be included and will assist in speeding up the reconsideration. All requirements must be submitted together and failure to do so could lead to Athene being unable to reconsider the application.

7. Suitability and Best Interest by Ownership Type

a. Individual Ownership: the Customer Identification and Suitability Confirmation Worksheet (Suitability Form) should be completed for the owner.

b. Joint Ownership: complete a separate Suitability Form if not the owner's spouse or domestic partner, as applicable by state law.

c. Revocable Trust Ownership: complete the Suitability Form on behalf of the grantor/settlor.

d. Irrevocable Trust Ownership: complete the employment status and date of birth on behalf of the annuitant. The remainder of the Suitability Form should be completed on behalf of the trust.

e. All Other Non-Natural Owners: complete the employment status and date of birth on behalf of the annuitant. The remainder of the Suitability Form should be completed on behalf of the entity.

f. Business assets and individual assets cannot be commingled.

g. Business assets can only be included if the business is the owner of the annuity.

h. Individual assets can only be included if the individual is the owner of the annuity.

8. Summary

Athene's standard of care program is designed to benefit consumers and help producers meet and/or exceed regulatory requirements. It is required that every recommendation you make to purchase or exchange an Athene annuity product be appropriate for the consumer under the applicable standard of care. A decision to recommend an annuity should be based on a careful analysis of the information gathered from the consumer. By making sure consumers understand the features, benefits, risks, costs and fees associated with the annuity, you can help ensure consumer satisfaction and compliance with regulatory requirements.

9. Questions

The Athene Sales Desk is happy to discuss the appropriateness of a potential sale with you. While we cannot make a determination that a recommendation would satisfy the applicable standard of care over the phone, we can discuss the case and let you know of any questions or concerns we may have based on the information you share. Simply call the Sales Desk at 888-Annuity (266-8489) during normal business hours or visit Athene Connect, our producer website.

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