


Welcome and thank you for attending!

The webinar will begin shortly.

Four Sales Practice Risks for Carriers
and how to mitigate them!



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Currin Insurance Compliance Education Program

Online / on-demand training for insurance compliance professionals.

About Roger

Roger Hayashi, CLU, ChFC has held many compliance management roles during his 25+ years in the insurance and financial services industry. He currently serves as Co- Director of the Compliance and Risk Mitigation Assistance program for Currin Compliance Services, Inc.

Four Sales Practice Risks for Carriers *and how to mitigate them!*

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Some Risks Associated with Poor Sales Practices

Complaints

Lawsuits

Regulatory actions

Reputational damage

Why Agents Pose Risk to Carriers

Amount of responsibility

Carriers lack transparency into agent sales practices

Lack of compliance training for agents

Four Areas of Sales Practice Risk

Prospecting

Sales Meeting

Application Process

Post Sale

Complete the following statement (Prospecting):

Generic advertising created by independent agents:

- a) is required to be reviewed and approved by carriers.
- b) is not considered insurance advertising if it is purely educational in nature.
- c) does not need to comply with state advertising regulations if it isn't carrier-specific.
- d) may create liability for a carrier if one of their products is sold as a result of the advertising.

Fictional Case Study

Independent agent meets
83 year old widow at a
seminar hosted by the agent.



Prospecting Issues

Advertising used:

- was misleading
- targeted seniors
- used scare tactics

Prospecting Issues

Third party materials:

- readily available to agents from many sources
- often not reviewed by carrier compliance personnel

Prospecting Risk Mitigation

Advertising review policy includes generic advertising?

Periodic training for agents on advertising requirements

Oversight

- internet searches
- sampling of higher risk agents
- inspections or “secret shopper”

Complete the following statement (Prospecting):

Generic advertising created by independent agents:

- a) is required to be reviewed and approved by carriers.
- b) is not considered insurance advertising if it is purely educational in nature.
- c) does not need to comply with state advertising regulations if it isn't carrier-specific.
- d) may create liability for a carrier if one of their products is sold as a result of the advertising.

Complete the following statement (Sales Meeting):

An insurance-only licensed agent speaks with a consumer about a fixed life insurance product. The agent can:

- a) discuss securities in general, and even make specific recommendations, as long as the agent discloses that he isn't registered as an investment adviser.
- b) recommend liquidating a bank CD even though a penalty would apply for early withdrawal.
- c) recommend the consumer surrender her variable annuity, but must disclose the replacement.
- d) recommend selling mutual fund shares since it would not be deemed a replacement.

Fictional Case Study (continued)

The agent follows up with the widow after the seminar and agrees to meet her at her home.



Sales Meeting Issues

Non-resident sale:

- licensing
- state and carrier requirements

Sales Meeting Issues (continued)

Source of funds:

- recommendation made to sell mutual funds to fund purchase
- agent not properly registered to make “sell” recommendation

Sales Meeting Issues (continued)

Misrepresentation:

- doesn't describe surrender charges or other potential drawbacks
- higher "rate of return" for life
- CD comparison

Sales Meeting Issues (continued)

Suitability:

- sold for “higher rate of return”
- possible liquidity issue
- misrepresentation issues may have affected suitability

Sales Meeting Risk Mitigation

Document carrier policies

Continuous training and communication for agents

Oversight

- trending reports
- surveys
- holistic, risk-based oversight programs

Complete the following statement (Sales Meeting):

An insurance-only licensed agent speaks with a consumer about a fixed life insurance product. The agent can:

- a) discuss securities in general, and even make specific recommendations, as long as the agent discloses that he isn't registered as an investment adviser.
- b) recommend liquidating a bank CD even though a penalty would apply for early withdrawal.
- c) recommend the consumer surrender her variable annuity, but must disclose the replacement.
- d) recommend selling mutual fund shares since it would not be deemed a replacement.

Complete the following question (Application Process):

The agent reviews the completed application and other required forms for the sale of a fixed annuity and realizes that the consumer doesn't have adequate liquid net worth to pass the carrier's suitability review. The agent should:

- a) adjust the suitability form by increasing the amount in savings accounts – as long as the total net worth remains the same.
- b) recommend the consumer complete and sign a new suitability form that reflects a greater amount in savings accounts.
- c) complete new paperwork on behalf of the consumer.
- d) meet with the consumer again and discuss more suitable options.

Fictional Case Study (continued)



Application Process Issues

Altered suitability form

Senior issue (widow can't see well)

Appearance of high pressure/intimidation to cash in CD

Application Process Risk Mitigation

Agent training

Home office employee training

Monitor trends by agent

Complete the following statement (Application Process):

The agent reviews the application and other required forms for the sale of a fixed annuity and realizes that the consumer doesn't have adequate liquid net worth for the carrier. The agent should:

- a) adjust the suitability form by increasing the amount in savings accounts – as long as the total net worth remains the same.
- b) recommend the consumer to complete and sign a new suitability form that incorrectly reflects a greater amount in savings accounts.
- c) complete new paperwork on behalf of the consumer.
- d) meet with the consumer again and discuss more suitable options.

Complete the following statement (Post Sale):

The agent receives the contract from the insurance carrier to deliver to the consumer. The agent should:

- a) file the contract in the agent's client file and give it to the consumer the next time they meet.
- b) contact the consumer to let them know the contract is in the agent's office and arrange to deliver the contract, but mail the delivery receipt to the consumer right away.
- c) contact the consumer and arrange to deliver the contract as soon as possible and obtain a signed delivery receipt.
- d) retain the contract in the agent's office so that it can be referenced during their annual meetings, but obtain a signed delivery receipt.

Fictional Case Study (continued)



Post-Sale Issues

Contract delivery

Data security

Post-Sale Risk Mitigation

Delivery receipts:

- follow up to ensure receipt by carrier
- verify signatures
- consumer surveys

Data security:

- provide agents with training/guidance on securing data
- ensure agents understand carrier requirements in event of breach

Complete the following statement (Post Sale):

The agent receives the contract from the insurance carrier to deliver to the consumer. The agent should:

- a) file the contract in the agent's client file and give it to the consumer the next time they meet.
- b) contact the consumer to let them know the contract is in the agent's office and arrange to deliver the contract in a couple of months.
- c) contact the consumer and arrange to deliver the contract as soon as possible and obtain a signed delivery receipt.
- d) retain the contract in the agent's office so that it can be referenced during their annual meetings, but obtain a signed delivery receipt.

Risks are manageable!

Well-designed compliance program.

Written policies and procedures.

Continuous training and communication.

Strong culture of compliance.

Robust supervisory and oversight structure.

Thank you for joining us!


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