



Preneed **C**ompliance **M**anual

NGL has always been committed to providing products and services to its policyholders in an honest and ethical manner. NGL actively supports industry efforts to maintain a high level of professionalism and compliance in the area of market conduct. We recognize that making ethical, professional sales practices a top priority will strengthen the Company and increase sales and policyholder loyalty.

Market Conduct initiatives and ever changing state and federal regulations help identify areas where we can improve. The purpose of this Compliance Manual is to inform you of our policies and procedures and to assist you in complying with your duties as an advanced planning professional.

NGL maintains relationships with producers that comply with all applicable laws regulations, or requirements of this manual. Therefore, please read this compliance information carefully.

By following these guidelines, we will increase consumer trust and loyalty, protect both yours and NGL's reputation in the marketplace, build a sustainable competitive advantage and minimize market conduct risk.

From all of us at NGL, welcome to the team! We look forward to working with you.

Thank you.

A handwritten signature in black ink, appearing to read "J. D. Larson".

J. D. Larson
President & Chief Executive Officer

Statement of Ethics

As an appointed NGL representative, you will help consumers determine their specific funeral needs, and develop an insurance policy to cover their funeral expenses. You hold a significant position of responsibility and trust; in turn, NGL *trusts* you to act with honesty and integrity in all business dealings. Instilling trust and living up that trust are key to a successful and productive relationship with your customers and NGL.

As an NGL representative, you are now part of a dynamic family of companies with a long-standing reputation of being ethical, caring and knowledgeable. We expect you to project these values to our shared customers by:

- Conducting all business or professional activity honestly and ethically.
- Treating consumers, as well as other professionals, with courtesy and respect.
- Clearly identifying and understanding your consumers’ needs and selling products that meet those needs.
- Following and abiding by all applicable Federal and State laws, FTC regulations and all regulatory requirements as they apply to sales practices, solicitations, replacement sales and advertising for use in the sale of preneed insurance products.
- Keeping consumers’ information confidential (see section on privacy).
- Demonstrating competency in Preneed insurance through knowledge, skill and ability.
- Advising consumers promptly of any error, noncompliance, or omission you know about or of which you have been given notice.
- Fully informing consumers of any potential conflict of interest that could compromise your relationship.
- Avoiding personal associations that may cause financial harm to consumers.

TABLE OF CONTENTS

Licensing	3
Advertising/Sales Materials	3
Sales Presentation	4
Software Use	4
The Application	5
Signatures	5
Handling Funds	5
Policy Delivery	6
Replacement	6
Claims	7
Client Files	7
Privacy	7-8
Complaint Handling Procedures	8
Company Rules	8

LICENSING

It is your responsibility to obtain a license to sell life, annuity and health insurance products in each state in which you will do business. Some states also require that Funeral Homes/Producers be licensed in order to receive override or assignment of commissions. Funeral Homes/Producers should check their state's requirements before signing a contract with NGL. You are responsible for maintaining continuing education requirements and renewing your licenses in a timely manner.

NGL will not process any written insurance application until: (1) the correct contracting forms are submitted in their entirety; and (2) all necessary and authorized background investigations have been completed, including but not limited to certain investigatory vendors such as Vector One, PRSI and the Insurance Regulatory Information Network; and (3) NGL has appointed the producer with the appropriate state insurance departments and has received confirmation that the producer is authorized to transact business on our behalf.

ADVERTISING/SALES MATERIAL

NGL's intent is to provide advertising and sales materials that have a clear purpose, and content that is honest and fair. All material, whether Home Office or Field produced, must be consistent with the best interests of the customer, be understandable by the customer and comply with all state and federally mandated advertising rules and regulations (unfair trade practices).

Advertising is defined as any material or media used to create a desire to learn more about NGL, any of its products or services, or to induce the public to purchase, increase, modify, reinstate, borrow on, surrender, replace or retain any of our products or services. This includes agent-recruiting advertisements.

Examples of advertising and sales materials include: print, radio and television ads, phone book ads, brochures, Internet websites or e-mail, novelty items, business cards, letterhead, sales illustrations, sales presentations, direct mail, newsletters, seminars and training materials. This also includes any reprints from newspapers and magazines.

You may NOT modify any existing sales material or create any new NGL advertising or sales materials without written approval from the Home Office. All field-created advertisements or other materials regarding any of our products or services, including recruiting advertisements, must be sub-

Representatives must be appointed in the appropriate state(s) prior to representing NGL or presenting any of its products. Please contact the Marketing Services department with any questions you have regarding state specific licensing and appointment requirements. As an NGL representative, your authority is defined within your contract and should be carefully reviewed.

State insurance departments enforce laws and regulations affecting representatives' business activities. These include, but are not limited to, prohibitions against unfair sales practices, certain advertising requirements, sales solicitation and replacement sales. Your contract with NGL requires compliance with all applicable laws and regulations and requires you to conduct yourself so as not to adversely affect the reputation or good business standing of yourself, your General Broker or NGL.

mitted and approved prior to use. When requesting approval for any advertising or sales materials, send a copy of the material to the Marketing Department. Be sure to include the distribution market, intended date of publication, number of materials being distributed (in direct mail piece for example) and the states in which you will be marketing. Both Marketing and Compliance will review all submitted materials for compliance with state and federal advertising law, NGL compliance, market effectiveness and consumer understanding. The Home Office will notify you in writing if the material is approved or whether additional revisions are necessary. **MATERIALS THAT ARE NOT APPROVED MAY NOT BE USED.**

Once approved, the material will be given a control number, which must appear on the material when used with the public. The material will also be given an expiration date. Retain a copy of the approval form and the material for your records. In addition, you are required to send a final copy of the approved material to the Marketing Department prior to distribution. Any piece which you would like to reuse after the expiration date must be resubmitted for re-approval prior to use.

Representatives are required to maintain a file containing all approved marketing material, the dates published, and the type and total number distributed.

SALES PRESENTATION

You must always inform prospective customers that you are an appointed insurance representative and give your full name. When completing an application, you must also identify yourself as a representative appointed by the company.

When making a sales presentation, you must communicate to the clients or prospects accurate and pertinent information about the Company, its products and the specific proposal.

While presenting, conduct yourself in an ethical manner and never violate your state's Unfair Trade Practices Act. The Act's restrictions include, but are not limited to, the following points.

It is important to always identify life sales as "life insurance." Never refer to the product as a retirement plan or savings plan.

It is **unlawful** to:

- make misrepresentative, misleading, false or deceptive statements;
- use words or phrases that exaggerate benefits or minimize limitations, exceptions or reductions in benefits (superlatives);
- describe any policy provision or benefit without fairly and accurately describing the limitations, exceptions or reductions of benefits;
- use insurance words, phrases or other insurance jargon, if using them would mislead the applicant;
- make any unfair or incomplete comparison of other

insurers, their policies, benefits, agents, services, method of marketing or compare unlike policies;

- mislead a prospective policyowner that the state or federal government endorses the insurance product;
- indicate that the insurance product is an introductory, initial or special offer, or that the applicant will receive substantial advantages given only to a special group, unless true;
- imply that only a specific number of policies will be sold or will be sold for a limited period of time, unless true;
- use the existence of any state's Guaranty Association for the purpose of inducing the purchase of insurance;
- identify yourself as an estate planner, financial planner, investment advisor or financial consultant unless you are so designated;
- compare life insurance policies or cash values to savings, savings accounts, stocks, bonds, or any other financial instrument or investment in a way that may mislead a person as to the true nature of life insurance, surrender values or other policy benefits;
- refer to premiums for life insurance coverage as "deposits," "deposit premiums," "investments," or any other misleading or confusing terms; or
- use misleading life insurance indexes to compare life insurance policies.

SOFTWARE USE

Only representatives contracted and appointed with NGL are authorized to use NGL-provided software and systems. You must understand and follow license agreements for all software used. This includes software from outside vendors,

as well as computer software and systems of NGL and its subsidiaries. Please contact Marketing Services to learn more about software available for your use.

THE APPLICATION

Only licensed representatives contracted and appointed with NGL may complete insurance and annuity applications for the company. As a contracted NGL representative, you have a duty to inform the Home Office of anything material to insurability, even if this information is not specifically requested on the application. For example, do not recommend a person for coverage if you know of any reason why coverage should not be issued or issued as applied for. You are required to inform the Home Office of any information that indicates misrepresentation or fraud in the application.

The application is part of the insurance contract. Therefore, it is critical that you ask **all** questions on the application as they are written; no questions should be paraphrased. As a licensed representative of NGL, you are responsible for ensuring the quality of field underwriting being performed. You must record **complete** answers and should not omit pertinent medical or financial information. Any alterations to information provided on the

application must be approved and initialed by the applicant. The answers on the application should be reviewed by the applicant before signing. You must inform the applicant that if the application answers are incomplete, incorrect or untrue, NGL has the right to decline the application, deny benefits or rescind coverage.

Many states have HIV notice and consent forms that must be left with the insurance applicant. Make sure you have the proper forms, if you sell in a state with HIV specific requirements. Contact Marketing Services if you have questions specific to your state's requirements.

Applications must be signed by the applicant and witnessed by you as an authorized company representative. All completed applications must be submitted immediately to the home office. No insurance is in force until the application has been received and accepted by the home office.

SIGNATURES

Because life insurance is based on legal, long-term contracts, the issue of signatures is critical. Every signature must be the authentic signature of the person named. Do not accept any form or document if you know a signature was signed by someone other than the named person. Likewise, never allow or ask anyone to sign your name on a form for you.

Clients should never sign blank or partially completed forms.

All documents must be fully completed before being signed by you or your client. This includes, but is not limited to, applications, customer service request forms, delivery receipts and any other form or document related to NGL policies, business or your contract.

Never sign an application or any other document as a witness unless the other person signs in your presence.

HANDLING FUNDS

You are authorized to collect the initial premium and any lump-sum deposits at time of application **only**, and only if the named insured is in good health and insurable condition. The applicant should use a personal check, a money order or a cashier's check for this payment. These must be made payable to NGL.

Representatives and employees are prohibited from paying or collecting (other than the initial premium), or loaning to the client funds for, any clients' premiums, fees or other costs or expenses except for their own or for policies of their immediate family

On rare occasions when an applicant needs to pay the **initial** premium in cash, please follow the procedure below:

Accept the cash and write a personal check, made payable to the applicant, in the amount of the cash received. The applicant must then endorse the check over to NGL and submit it with the application.

The following is a detailed list of premiums that NGL **CAN NOT** accept:

- Premiums that do not come directly from the insured applicant, and/or a payor with an insurable interest.
- Premiums from a consortium for other than a group policy.
- Premiums paid after the policy has lapsed, except premiums due which are included with a reinstatement application.
- Premiums collected by the agent and submitted under an agency check.

It is NGL's policy not to accept premiums from persons other than the insured, policy owner or named payor.

POLICY DELIVERY

Policies should be delivered to clients promptly and the delivery receipt (in states requiring receipt) should be signed and returned to the Home Office. Information regarding rated or declined applications must be communicated to the clients promptly. Never keep custody of any policy or contract for any period longer than absolutely necessary for purposes of

analysis, record keeping or service review. Policies or contracts belonging to you or your immediate family are excluded. You only have authority to deliver a policy when the required first premium has been collected and the named insured is in an insurable condition.

REPLACEMENT

Replacement is usually not in a client's best interest; therefore, the company does not encourage replacement as a marketing practice or technique.

Replacement is any transaction where, in connection with the purchase of a new policy, a policyowner lapses, surrenders, converts to paid-up insurance, places on extended term, borrows or withdraws all or part of the policy values of an existing insurance policy or an annuity.

Replacements may not exceed 5% of a producer's inforce business

Replacement Disclosure Requirements:

Applications ask both the applicant and the NGL representative to indicate whether a replacement is taking place. If replacement is occurring, you must provide the applicant with all applicable NGL and State disclosure notices required.

The applicant must fully understand the reason for replacement, the comparison between the old and new policy, and agree that replacement is in their best interest. If the applicant understands and agrees that the replacement is appropriate, they should sign the completed form. Give the applicant a copy of all signed replacement and comparison forms, keep a copy for your records and return the originals to the Home Office along with the application.

Revisions to state requirements and state specific replacement forms are an ongoing process. As states adopt new

replacement legislation and forms are revised, an announcement will be made to the field and FieldNet will be updated with the current form. It is your responsibility to use the most current form.

Twisting:

Twisting is strictly prohibited in all states. Twisting is the practice of misrepresenting a policy, misstating the facts, or giving an incomplete comparison of policies to induce the insured to give up a policy in one company for the purpose of taking insurance with another company.

The law prohibits you from making misleading, derogatory, malicious or false statements about the financial condition of another insurance company, questioning a competitor's solvency or repeating market rumors.

Churning:

Churning is the practice whereby a policy's cash values, loan values or dividend values are used to purchase another insurance policy or annuity contract with the same or another insurer. The specific purpose of the transaction is to earn new, first-year commissions or other compensation, despite results detrimental to the annuitant or insured.

NGL strongly condemns the practice of churning.

CLAIMS

NGL complies with the requirements of the Unfair Claims Settlement Practices Act, which has been adopted in some form by all states. To ensure timely and efficient claims processing as required by the Act, all representatives must follow NGL claims procedures.

All claim questions, materials and information given to you regarding a policy or contract must be submitted to the Home Office Customer Services Department immediately upon receipt. NGL must acknowledge a Preneed claim generally within 48 hours of notification and record all notifications of claim in order to comply with state regulatory requirements.

All claim forms must be completed in full by the claimant and returned to the Home Office. The claimant is responsible for collecting and submitting all information requested by the Home Office. If the claimant has questions during this process, they should be directed to the Home Office.

Improper Claims Practices

Improper claims practices are prohibited. These practices include, but are not limited to:

- A. Advising the claimant to submit false claims to NGL.
- B. Promising the claimant a certain benefit amount or coverage.
- C. Failing to inform NGL promptly of pertinent communications with respect to claims arising under NGL policies.
- D. Knowingly misrepresenting relevant facts or policy provisions relating to the coverage.
- E. Trying to settle a claim instead of referring the claimant to NGL's Home Office.
- F. Altering the claim form or other forms submitted with the claim.

CLIENT FILES

It is important as an NGL representative, that you keep detailed file documentation. Documentation is becoming increasingly important to protect the agent, the Company and the client. A properly documented client file should typically contain the following items:

- any correspondence
- copy of sales materials used

- notes and phone-call log
- copy of the signed application, any insurance assignment forms, and Prefunded funeral agreements
- copy of signed replacement form, if applicable

Client information should be considered confidential and administered appropriately. Any breach of confidentiality may have severe consequences.

PRIVACY

All nonpublic personal financial information or nonpublic personal health information related to any insured, or to any customer that you obtain, on behalf of or from NGL, in regards to the performance of your duties and obligations under your NGL producer agreement shall be held in the strictest confidence by you and your representatives.

Nonpublic personal information includes any individually identifiable financial or health related information. It includes any list of customers derived from this information. It includes the names, addresses and telephone numbers, policy numbers, social security numbers and income levels of customers. It includes health or medical information such as medical records, claims information and diagnosis.

By signing your producer agreement(s), you have agreed that you understand and agree to comply with NGL's privacy policy.

Current privacy laws require that you treat the nonpublic personal information of a customer as confidential. You should limit access with physical, electronic and procedural

safeguards. By this, we mean:

- You should not leave completed applications and financial needs analyses where others can read or copy them and should keep such materials in your files when not in use or when you are out of the office.
- Nonpublic personal information may be used for business purposes with respect to NGL insurance business with the individual only, such as a needs analysis or application or a transaction requested by the individual.
- Nonpublic personal information about NGL customers may not be accessed out of curiosity, for your personal use, or where you do not have an NGL business relationship with the customer and a need to know that information.
- As a general rule, you should not disclose any nonpublic personal information regarding a customer to anyone other than the customer, or to employees of NGL who have a business need-to-know the information. Examples of a few exceptions include

(i) if the customer is a minor child, you may usually provide information to the child's parent, and (ii) if a customer has become incapacitated, you may disclose limited information to the customer's court appointed guardian or conservator (the conservator is entitled to the customer's financial but not medical information).

- You should keep confidential any information to your customer's spouse, other relatives or employer without the written permission of the customer.

If you have questions regarding to whom you may disclose information, please contact the Compliance Department.

COMPLAINT HANDLING PROCEDURE

NGL's pledge to its policyowners reads:

NGL is committed to conducting business according to the highest standards of equity, honesty and fairness. Therefore, if you have a question about the promises we have made to you, the performance of your policy or the service we have provided, we pledge to work with you to resolve your concern promptly and fairly.

A complaint is defined as any written communication from a customer expressing dissatisfaction with our Company, its services, practices, products, employees or licensed representatives.

All policyowner or customer complaints received in a field office must be recorded on NGL's Complaint Record Form #1723 and submitted to the Customer Service Complaint

Coordinator. NGL's Customer Service Complaint Coordinator will gather all the necessary information and respond timely and appropriately to the complainant. The Coordinator will work with the Complaint Resolution Team, where necessary, in response to a complaint.

Complaints made to a State Insurance Department are handled by the Compliance Department. Most states require an agent's statement relating to each complaint. NGL is required to respond within 7 to 15 days; therefore, all requests for an original statement from the writing and/or servicing agent must be responded to promptly within the time requested.

The Compliance Department will track all complaints and analyze this information routinely to detect, correct and monitor problem areas or trends.

COMPANY RULES

Failure to comply with the contents of this manual will result in disciplinary action up to and including terminating your contract with NGL. Matters of serious concern such as dishonest or fraudulent acts constitute cause for immediate termination and will be referred to the Legal Department and/or the state insurance regulatory authorities for disciplinary action.

NGL's intent is to keep representatives informed about changing laws and regulations in an effort to ensure that all sales and services meet the good business practices that policyowners expect and deserve. Updates are typically distributed through mailings, the company newsletter or

official notices.

Representatives or employees **may not** give legal or tax advice unless it has been received from the Company's counsel and is being transmitted in connection with NGL business. A customer requesting legal or tax advice should be referred to his or her attorney or tax accountant.

Representatives are encouraged to contact NGL's Compliance Department with any questions they have regarding compliance issues and/or the regulations in the states they do business.

For additional questions in regards to Preneed Services, please contact the
Preneed Services Department at:
(800) 988-0826

NGL Insurance Group
National Guardian Life Insurance Company
NGL American Life Insurance Company