



LIFESECURE INSURANCE COMPANY

**PRODUCER
COMPLIANCE
MANUAL**

A Regulatory Compliance Guide
for LifeSecure Producers.

For Producer Use Only.
Not for Solicitation Purposes.

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INTRODUCTION

LifeSecure Insurance Company (LifeSecure) is committed to fair and ethical sales practices for all its customers. We are also committed to complying with applicable laws and regulations, and the Company's Policy Statement Concerning Fair Competition. We will maintain and enforce policies and procedures to assure compliance. We will also have a system in place for communicating all company requirements and monitoring sales practices. Producers of LifeSecure, and their representatives, are expected to uphold these principles and guidelines. A violation of these guidelines by a Producer may result in disciplinary action, including, if appropriate, termination of their relationship with LifeSecure.

POLICY STATEMENT CONCERNING FAIR COMPETITION

Federal and state laws exist to preserve a competitive economy in which free enterprise can flourish. LifeSecure supports the purposes of these statutes and laws and insists that its employees and Producer are in full compliance with applicable federal and state statutes governing trade practices, antitrust, and restraint of trade. In furtherance of this policy, LifeSecure Producers will:

- Comply with applicable state and federal laws fostering fair competition.
- Refrain from utilizing or producing any misrepresentation or false advertising regarding insurance products or the product benefits, advantages, conditions, or terms of any insurance contract; interest, dividends or surplus to be received on any insurance contract; and using any name or title misrepresenting the true nature of an insurance product.
- Refrain from making, publishing, disseminating or circulating, directly or indirectly, or aiding, abetting or encouraging the making, publishing, disseminating or circulating of, any oral, or written statement which is false or maliciously critical of, or derogatory to, the financial condition of an insurer, for the purposes of injuring any person or insurer engaged in the business of insurance.
- Refrain from entering into any agreement to commit or by any concerted action committing, any boycott, coercion or intimidation resulting in an unreasonable restraint or monopoly, in the business of insurance.
- Make no agreement or understanding with competitors to fix or control prices, to allocate products, markets or territories, to boycott certain customers or suppliers, or refrain from or limit the sale of any product.
- Avoid replacing existing policies without meeting the requirements of applicable federal and state law, and providing information to the customer that he or she needs in order to ascertain whether replacement of existing policy is in his or her best interest.
- Deliver and review prior to taking an application, all required forms and disclosures as required by regulation, product and Company procedure, including but not limited to:
 - Outline of Coverage
 - Replacement Forms (if applicable)
 - Fraud Notices
 - Things You Should Know Before You Buy Long Term Care Insurance (LTC Only)
 - Shopper's Guide to Long Term Care Insurance (LTC Only)
 - Long Term Care Insurance Personal Worksheet (LTC Only)
 - Long Term Care Potential Rate Increase Disclosure Form (LTC Only)

Except as set forth above, in order to meet the requirements of applicable state and federal law, LifeSecure will compete freely and actively in markets or market segmentation determined by its management to be appropriate and consistent with its marketing plans and goals, both financially and in the marketplace.

PROVIDE COMPETENT AND CUSTOMER-FOCUSED SALES

Competent and customer focused sales are based on an analysis of the customer's insurable needs and financial objectives. Producers should carefully consider each customer's circumstance and future expectation when making product recommendations. Producers should review all the proposed product features with the customer, including values and benefits, premium structure, expenses and existing coverage.

Products change quickly in today's marketplace. All Producers are required to understand the benefits and features of the products they are recommending.

In addition, prior to taking the application, Producers should make clear and competent presentations to applicants to ensure they understand the product features and design and how it will address his or her insurance needs and financial objectives.

Insurance product recommendations will be made only upon having reasonable information to determine insurance recommendations are appropriate and meet the client's insurance product needs.

SPECIAL NEEDS OF THE SENIOR MARKET

There are some things to consider when dealing with the senior market. Although this is not a comprehensive list of senior market guidelines, it does illustrate some points to consider when dealing with this market.

FULL FACT FINDING AND DOCUMENTATION ARE VERY IMPORTANT

Documentation is key to proper compliance in any market, but is especially important in senior market sales. Suitability review is extremely important and is required by regulation in every state. LifeSecure is committed to ensuring that our sales are suitable for the need of our policyholders. The Long Term Care Personal Worksheet must be completed as part of the application process. This form will assist both the Producer and the insured in determining whether the product is in their best interest. The Outline of Coverage must be reviewed and left with the Applicant prior to completing the application.

NEED TO ERR ON SIDE OF BEING CONSERVATIVE

Seniors are often conservative by nature. Whenever there is a doubt, it is always best to rely on less aggressive strategies and recommendations.

“BUYER'S REMORSE”

Many people, including seniors, go through this phenomenon after making a major financial decision. Again, proper documentation, a conservative strategy, and making sure that clients fully understand what they have purchased will help prevent or overcome this issue. Regulations require that long term care policies provide a 30-Day Free-Look provision to give the policyholder a chance to review the policy and decide if they wish to keep it or return it to the Company for a full refund of premium. As a company best practice, all of our products include a 30 Day Free-Look Provision.

SENIORS OFTEN WORK CLOSELY WITH OTHER ADVISORS

Many seniors have other advisors, such as a CPA, a tax advisor, an attorney or even family members. These advisors may have different opinions and/or motives for the senior client. The advice and strategies provided by such consultants should be considered when identifying the senior's needs or making product recommendations.

BROAD PROTECTION OF ELDER ABUSE LAWS

Elder abuse legislation has gained momentum in recent years in many states. With the emerging senior population, often courts will favor the senior client. As noted previously, LifeSecure is committed to complying with all applicable laws and regulations.

ADVERTISING GUIDELINES

Advertising and training materials are available from LifeSecure for use in the solicitation of LifeSecure product(s). Any advertising or training material created by the Producer, general agent or managing general agent must be submitted to the Company for approval prior to use.

“Advertising” includes any material, written or electronic, that is designed for distribution to the general public, including but not limited to:

- Print, radio, TV and any form of media advertising (newspaper, magazine).
- Product brochures, circulars, pamphlets and published articles.
- Posters and counter-cards.
- Sales presentations, prepared sales talks, seminar texts, telemarketing scripts and materials.
- Newsletters, research and performance reports or summaries.
- Business cards and letterhead.
- Producer recruiting material.
- Third party software.
- Internet and internet websites or home pages and any other forms of e-commerce including e-mails used for solicitation.
- Letters or post cards use for solicitation or leads.

If a Producer is uncertain whether or not something falls within the definition of “advertising”, please contact the Compliance Department for guidance. Without exception, all consumer advertising mentioning LifeSecure by name or referencing any of our products and services, must be approved by Compliance prior to use. This includes products identified by name, description, rate or features.

To ensure the advertising materials are reviewed expeditiously, the following procedures should be taken into consideration. We suggest Producers review the following guidelines prior to submitting any piece of advertising for approval:

- Advertisements may need to be filed with state insurance departments, which will add to the approval turnaround time. The Producer will be notified once the material is approved.
- Due to the changing nature of regulations governing advertisements and sales materials, compliance approval is valid for up to 24 months. This time period may be shorter, if regulations are passed or revised that affect the previously approved material. Upon expiration, the material must be resubmitted for approval if its use is to be continued.
- If revisions to an advertisement are required, Producers must submit a final copy of the advertisement with the revisions to Compliance for final approval and filing.
- A form number will be assigned to all advertisements once the final copy is approved. This form number is to be printed in the lower left hand corner of the ad and is required by state insurance departments for tracking.
- Include the Producer or agency’s name as it appears on the agent license. For example, if a Producer is licensed as “John Doe” but is doing business as “City Insurance Club”, “John Doe” must appear in the advertisement.
- Always indicate the licensed Producer as the contact person. All consumer advertisements must have the name of the Producer, address and phone number. If the advertisement will be distributed in the state of California, Producers are also required to include their state license number.
- All advertisements must clearly identify the type of insurance being offered (i.e. LTC, Hospital Recovery, etc).

- Do not refer to premium payments as “deposits”, “funds” or other banking terms.
- Indicate all product or feature names registered with a service mark or registered trademark, as applicable.
- If an advertisement or training material is intended for Producer use only, be sure to indicate “For Producer Use Only. Not Intended for Solicitation Purposes.”
- Any advertisement promoting our product(s) must describe the policy type and form number. A typical disclosure is as follows: “Policy Series XXXX. Insurance is underwritten by LifeSecure Insurance Company, New Hudson, MI. This product, its features and riders may not be available in all states. Policies have exclusions and limitations. This is an insurance solicitation. A licensed LifeSecure Producer may be contacting you.”
- Regulations require that the name of the insurance company must be clearly identified. The insurance company’s full name (LifeSecure Insurance Company) and location, as well as logo must be displayed in equal or greater prominence and in close proximity of any other logo or identification.
- Any use of statistics or references to any information from an outside source must clearly identify the source of the information including the name and date of the report or publication. Source information must be current (within 3-5 years).

INTERNET ADVERTISING

Internet advertising includes home pages and all related pages in a Producer website. To submit site and/or page(s) for approval, complete and submit copies of all relevant web pages including all links and instruction for accessing the site online. Note that approval must be received prior to any website “going live”. Regulations that apply to print advertising also apply to internet advertising. Since a website is accessible to all consumers, regardless of where they live, internet advertising must comply with the advertising requirements of all states.

- Many websites, including those that market insurance products, may be identified by a marketing name that is different than the name shown on the “official” license for the Producer or agency. Please note that a marketing name can easily be construed as a DBA (“doing business as”) and as such could require that the name be filed with the respective secretary of state office(s) and/or state insurance department(s).
- Since information contained on a website can be viewed by virtually anyone, anywhere in the world, include where you are licensed to do business and that you are a domestic U.S. Producer or agency. For example: “John Smith, DBA XYZ CO Insurance Agency, Inc., a domestic U.S. insurance agency licensed to do business in (states),” or “licensed to do business in all states except (states)”.
- When including product information that is for Producer/agency use only, please provide the internet address, user ID and password.

RECORD RETENTION

It is important for Producers to maintain accurate records of transactions regarding client files. All information regarding the sale and service must be documented properly for future reference. Certain documents should always be maintained. These include:

- A copy of any needs analysis completed during the solicitation.
- A copy or documentation of any sales material used during the sales process.
- Any written correspondence to or from the policy owner regarding the solicitation, issuance of the policy, or subsequent service of the policy.
- Documentation of phone calls to or from the policy owner addressing the above issues.
- Notes from meetings with the insured.
- A copy of all correspondence between the Producer and the company about the product prior to issue.

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 inactive files for seven years. Files may be retained in either paper or electronic format. Reasonable precautions should be taken to back-up any files retained in electronic format. All information maintained regarding a client must comply with all Privacy and Confidentiality requirements.

COMPLAINT HANDLING

The NAIC definition of a complaint is a “written communication primarily expressing a grievance.” While many states have adopted this meaning, the specific definition of a “complaint” will be based upon the state in which we are licensed to do business. In addition, a number of states expand this definition to include both written or oral expressions of a grievance against the insurance company, its employees, or Producers.

As a matter of best practice, LifeSecure Insurance Company has implemented this broader definition for its Complaint Handling Procedures. In addition, any grievance filed by a consumer with a state insurance department is subject to the regulations of that jurisdiction. All complaints will be subject to LifeSecure’s Complaint Handling procedures and must be reported to the Compliance Department immediately.

Consumer complaints generally fall into one of three categories:

- State Insurance Department Complaints, meaning those that are forwarded directly from the state Department of Insurance to LifeSecure or to the Producer.
- Executive Complaints, meaning those that are directed to the Chairman, President or other Senior Officer of the Company.
- Direct complaints, meaning those that are submitted directly to the Producer or to LifeSecure for response.

It is possible that a consumer complaint may be a combination of all three. If LifeSecure receives a complaint regarding the sales process or servicing of the policy, the Producer will be contacted for a written response. The written response must address all charges made in the complaint. The Producer will be asked to include copies of any documentation available to support their position. It is very important that the Producer submit a written response within the specified number of days due to the specific deadlines imposed by regulation(s) for LifeSecure’s response. The receipt of the written response in a timely manner is essential.

If a Producer receives a complaint directly, a copy should be sent to the LifeSecure Compliance Manager immediately.

It is inappropriate and unacceptable for any Producer to initiate any discussion of a settlement to a complaint.

LifeSecure is committed to fair and ethical treatment of all policyholders. As such, all consumer complaints are taken seriously. We will investigate all complaints thoroughly.

Results can be serious, including state penalties, lawsuits, policy rescissions, commission reversal, or termination of the Producer's appointment with the Company. Questions relating to complaints should be directed to the LifeSecure Compliance Manager.

APPLICATION GUIDELINES

The application is a part of the insurance contract; therefore, it should be filled out completely and accurately. If the answers on the application are incorrect, incomplete, or untrue, LifeSecure may have the right to deny benefits or rescind coverage.

Be sure the client understands that by their electronic or written signatures on the completed application forms, he/she is attesting that the information is accurate and complete. Never ask the client to sign a blank application or other document.

The application is to be submitted to LifeSecure exactly as completed at the point of sale. The applicant must initial modifications to the application or other sales materials prior to signing. Any modification made to the application, replacement form, authorization, checks or other material at the point of sale, without the approval or knowledge of the applicant is an unethical sales practice, may be illegal, and could result in civil or criminal liability. A Producer's signature on the application is their personal assurance that the information supplied is, to the best of their knowledge, given voluntarily by an eligible applicant in a complete and accurate manner. Only the licensed Producer writing the business should sign the application. The signing of the application by any other producer is a prohibited practice.

Finally, remember that it is the Producer's responsibility to protect the privacy and confidentiality of the information obtained during the underwriting process. Personal information intended to be transmitted to LifeSecure should be kept in the utmost confidence and in compliance with our Privacy and Health Insurance and Accountability Act (HIPAA) Policies.

REPLACEMENTS

Replacements are one of the most heavily regulated transactions. Depending on the circumstance, a replacement may or may not be in the best interest of the client. The Producer has a responsibility to make sure that the client has all of the necessary facts in order to determine if the replacement may be in the client's best interest.

Comparisons between an existing product and a proposed product must accurately and fairly describe the policy provisions and values. The Producer should discuss the advantages and disadvantages of any potential replacement with the client. Remember to address:

- Any required evidence of insurability.
- The premium requirements of the proposed policy.

A replacement can be internal or external. An internal replacement occurs when an existing policy is exchanged for a new policy from the same insurer. An external replacement occurs when a policy is replaced by another insurer. Only the Producer and their client can decide if the replacement is suitable. When a replacement is appropriate, be certain to use the appropriate replacement disclosure forms.

MONITORING ACTIVITIES

LifeSecure is required to submit annual reports on replacements to the state insurance departments. The company will also monitor replacement activity on an ongoing basis for trend analysis purposes. Should the level of replacement activity for a Producer present a concern, the Compliance Manager will investigate the issue further and discuss the issue with the Vice President of Sales and the Producer, if necessary.

POLICY DELIVERY

The issued policy should be delivered to the insured within 15 days from the date sent by the Company. Policies should never be kept in a Producer's files. Some states require a delivery receipt if the policy is delivered in person or other means of tracking if sent by mail. As a best practice, if the policy is delivered in person, a delivery receipt should always be signed and kept in the Producer's file. Any questions regarding individual state requirements should be directed to the Compliance Manager at LifeSecure.

In addition, the Producer should be aware of all outstanding delivery requirements and assist the client in completing the necessary documents. Remember that the contract is not in force until all delivery requirements have been submitted to LifeSecure. Failing to return delivery requirements can jeopardize the client's coverage.

PRIVACY OF NON-PUBLIC PERSONAL AND INDIVIDUALLY IDENTIFIABLE HEALTH INFORMATION

LifeSecure Insurance Company protects all Non-Public Personal and Individually Identifiable Health Information provided to us. To help understand how we protect customer information, we have developed corporate Privacy Policies. These Policies will be provided to the policyholder(s) in accordance with the Company Privacy procedures to comply with the Graham-Leach Bliley Act of 1999 (GLB) and the Individually Identifiable Health Information ("IIHI"), the Health Insurance Portability and Accountability Act of 1996, as amended ("HIPAA"). LifeSecure Insurance Company may, from time to time, make changes to these policies as required by federal or state laws and regulations.

All Producers are required to comply with corporate Privacy Policies in the following manner:

1. Prohibit any use of Individually Identifiable Health Information ("IIHI") except as allowed by law, unless prior and specific informed written consent from the person to whom the data or information pertains is obtained. Producers cannot and must ensure that its directors, officers, employees, contractors and Producers, do not use or disclose IIHI received from the Company in any manner that would constitute a violation of applicable law.

Prior to any disclosure, a Producer must:

- a. Obtain, reasonable assurances from any applicable third party that all IIHI will be kept confidential and only disclosed as required by law or for the purposes for which it was disclosed, and
- b. Obtain an agreement from the third party to immediately notify the Producer of any breaches of the confidentiality of the IIHI, to the extent it has knowledge.
2. Implement appropriate safeguards to prevent the use or disclosure of all IIHI, except as stated above;
3. Upon request by the Company or other regulatory authority, provide access to IIHI for any applicant within 5 days;
4. Return or destroy all IIHI information for all applicants of the Company upon termination of the Producer's appointment with the Company.

HITECH PRIVACY & SECURITY CHANGES

The Health Information Technology for Economic and Clinical Health (HITECH) Act was signed into law on 2/17/2009. The section of the Act that is applicable to all Producers is outlined below and became effective one year after that date (2/17/2010).

SECURITY STANDARDS

Under the previous HIPAA provisions, the insurer was required to implement safeguards to ensure Producers protected Personal Health Information (PHI) and Non Public Personal Information (NPPI) of customers and insureds. The Company complied with this requirement through the Business Associate Addendum of the Selling Agreement. This original Addendum required all Producers to implement administrative, physical and technical safeguards that reasonably and appropriately protect electronic (PHI).

The HITECH Act now requires that Producers implement all of the HIPAA Security administrative, physical and technical safeguards as well as security policies, procedures and documentation requirements. Producers who do NOT implement these required safeguards are considered in breach of their Selling Agreement and are now also subject to direct enforcement of the HIPAA Security Rule and subject to the same civil monetary penalties as the insurer.

The obligations include:

- Administrative Safeguards: Risk assessment and periodic reassessments, risk management security measures; information system activity risk reviews; an assigned Security Official; workforce training and sanctions; data access controls; data back-up and disaster recovery plans and security incident management.
- Physical Safeguards: Facility and workstation access controls; portable and removable device and media management; device and media disposal and re-use, back-up and storage controls.
- Technical Safeguards: access, authentication and audit controls; data integrity and transmission security.

PRIVACY PROVISIONS

HITECH also extends many of the HIPAA Privacy Rule provisions to Producers of an insurer. The Producers may use and disclose PHI only if such use or disclosure is compliant with the provisions of the Business Associate Selling Agreement. Therefore, if a Producer uses or discloses PHI in violation of the Business Associate Selling Agreement, the Producer is not only liable to the insurer, but is also directly liable to Health and Human Services (HHS) for the same noncompliant use or disclosure.

In addition to the requirement to update the Business Associate Selling Agreement, the HITECH Act also requires Producers to take action if they know of a pattern of activity or practice of the insurer that constitutes a material breach or violation of the Business Associate Selling Agreement. If the Producer fails to take reasonable steps to fix the breach, terminate the agreement or report the problem to HHS, they are subject to the same enforcement penalties as the insurer.

LICENSING

LifeSecure follows all state licensing regulations regarding Producer licensing and appointments. Once a Producer is authorized to sell insurance with LifeSecure they are required to abide by all of the laws, rules, and regulations of any state in which they are licensed to conduct business.

ERRORS AND OMISSIONS COVERAGE

Since even a Producer's good faith compliance with the law may not prevent a client from initiating a formal complaint or legal action, the Company requires all Producers to have insurance coverage as a condition of obtaining and renewing their appointment.

In the event that a claim is presented against a Producer, the Errors and Omissions carrier should be notified within 24 hours of receipt of the information. The Producer is accountable for making this notification. The Producer is responsible for any statutory requirement of obtaining or maintaining this coverage.

CONTINUING EDUCATION

Continuing Education is required to maintain/renew a license in every state. LifeSecure believes that continuing education about products, industry and regulatory issues is critical to being able to provide competent, customer-focused sales and service.

As a part of every Producer's contract, all continuing education requirements, including individual state requirements that include specific Long Term Care educational courses, must be completed.

A variety of resources are available for obtaining this information, including LifeSecure, professional trade groups, and independent third party vendors. Information regarding specific requirements and approved course material can be found on each state insurance department website.

CONTACT INFORMATION

For questions and concerns regarding market conduct, consumer complaints, ethical sales practices, or compliance with laws and regulations, please contact:

Peter Rill, Compliance Director, (810) 220-8774 or prill@yourlifesecond.com