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August 7, 2018

Mr. Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: Regulation Best Interest (RIN 3235-AM35); Form CRS Relationship Summary, Amendments to Form ADV, Required Disclosures in Retail Communications and Restrictions on the use of Certain Names or Titles (RIN 3235-AL27)

Dear Mr. Fields,

The Association for Advanced Life Underwriting (“AALU”) is the leading organization of life insurance professionals who are a trusted voice on policy issues impacting Americans’ financial security and retirement savings. Our 2,200 members are primarily producers engaged in the sale of life insurance used as part of estate, charitable, retirement, and deferred compensation and employment benefit services.

As part of their service for clients, our members offer variable products, such as variable life insurance and variable annuity products. These products offer consumers investment choices for accumulating cash values—the variable element of the product—with separate guarantees from the issuer such as a guaranteed death benefit and lifetime income. These are important options for customers seeking to address their protection and retirement needs using life insurance and annuity products. These tools are recognized as even more important in recent years to address risks to families and businesses of premature death and of outliving savings.

We appreciate the efforts of the U.S. Securities and Exchange Commission (“Commission”) to ensure that the standard of care for broker-dealers and registered investment advisors is appropriate and protects consumers. The Commission has deep experience in the regulation of securities products, as we noted during the comment process for the Department of Labor’s (“DOL”) fiduciary rule. The Commission is the proper agency to take the lead in this area.

AALU’s members work in the best interest of their customers every day. We support a workable and appropriately tailored best interest standard that is neutral to business model, product type, and compensation approach, while preserving consumer choice and access to products and services to meet their varied financial planning needs.

Through our letter, we sought to provide detailed information in areas where we believe AALU, based upon our members’ business and expertise, can be most helpful in furthering the Commission’s understanding of the important issues raised in the Proposal, and we look forward to continued engagement with the Commission throughout this process.

Key Points

- Best Interest Standard: We appreciate the formulation of the best interest standard in the Proposal that a recommendation be made “without placing the financial or other interest of the broker-dealer...ahead of the interest of the retail customer.” We believe this meets the Commission’s goal of ensuring that recommendations are in the best interests of consumers, without setting unworkable requirements for registered representatives affiliated with broker dealers and investment advisors (“registered representatives”) that could actually result in limiting the customer’s choice. We agree with the Commission’s decision to reject the DOL’s construction that a recommendation be made “without regard to the financial or other interest of the broker dealer.” Such a formulation could be interpreted to prohibit any form of financial compensation; a result that would severely impair access to financial counsel desired and needed by millions of Americans.
- Standards Tailored Specifically to Broker-Dealers and Investment Advisors: We support the Proposal’s maintenance of standards of conduct tailored to the unique business models for broker- dealers and investment advisors, respectively, and the particular needs of different consumers. We appreciate the Commission’s clear intent to make refinements to the broker-dealer regulatory framework for episodic transactions apart from enhancements to the fiduciary duty under the Advisers Act.
- Private Right of Action: We appreciate that the Commission did not create any new private right of action or right of rescission in the Proposal. One of our biggest concerns with the DOL fiduciary rule was that it subjected financial professionals to a private right of action in State court. The costs and risks associated with such liability led many financial firms to reduce service and product choice, or even eliminate support for retirement investors altogether, as the rule was implemented. The Commission, along with FINRA, has effectively provided regulatory enforcement and oversight of securities products for many years. Any enhancements around enforcement must not trigger a reduction in product choice and access to professional financial advice for consumers.
- Restrictions on the Use of Titles: The Commission asks about restricting the use of the term “advisor” or “adviser” to those that have particular credentials. While we appreciate the intent of such a policy, we do not believe this will reduce consumer confusion. There are numerous financial professionals who are not subject to Commission jurisdiction, which limits the extent to which the Commission can allay purported consumer confusion on this topic. Instead of focusing on regulating titles, which has not proven effective, the Commission should focus on the conduct of registered representatives in the marketplace.

Life Insurance and Annuity Products Provide Unique Value

Life insurance and annuity products offer essential benefits to 75 million American families and many businesses—providing protection, financial security, and peace-of-mind. Consider the following benefits of life insurance products:

- Protection: Life insurance provides protection against the risk of early death or a debilitating injury or illness by providing benefits that replace lost income and pay expenses. A death benefit can be important for a surviving spouse even in retirement years, especially as life expectancy increases. Small businesses—and their employees—are protected from the loss of an owner or key employee, as life insurance provides essential liquidity to ensure the continued viability of the enterprise.

- Enhanced Benefits for Employees: Life insurance products make it easier for employers to offer important health, retirement, and life planning benefits to workers. Businesses use life insurance to match a long-term asset with long-term liabilities to support benefits for employees that strengthen their retirement savings and improve quality of life, as well as to assure continuity of small businesses when an owner dies.
- Flexibility: Life insurance products offer flexibility that help individuals address different needs at different stages of their lives. As one example, an individual requiring significant long-term care can quickly burn through their retirement savings. Life insurance products can offer effective alternatives to addressing long-term care needs.
- Guaranteed income in retirement: Outside of defined benefits plans, only annuity products can offer a guaranteed income stream for your entire life. There is a significant demand for these types of products; a recent study found that two-thirds of non-retirees are concerned about guaranteeing a steady retirement income no matter how long they live.ⁱ Annuities that provide guaranteed income provide the enhanced security Americans are seeking in retirement. This need is further underscored as life expectancies increase.

The life insurance industry plays a critical role in capital formation in America. Life insurance companies have assets supporting nearly \$7 trillion dollars in fixed and variable insurance products. Around 48% of the total assets of life insurance companies are held in long-term bonds, with these companies purchasing over 22% of all corporate bonds.ⁱⁱ There is \$20 trillion of financial protection in force through life insurance products, which comprise nearly 17% of long-term savings for U.S. households. The life insurance industry pays out \$1.7 billion daily and generates 2.6 million American jobs.ⁱⁱⁱ Life insurance products play an essential role in providing financial and retirement security to American families and provide a variety of solutions for our nation's businesses.

The Current Regulation of Life Insurance Professionals and our Industry is Robust

Life insurance professionals are governed by every State in which they operate, the carriers whose policies they sell (each of which is approved in the State sold), the Commission, DOL, and FINRA.

The Commission and FINRA enforce the antifraud provisions and the just and equitable principles of fair dealing enumerated in the Securities Act of 1933 and the Securities Exchange Act of 1934, and through FINRA's rules. An important aspect of fair dealing is the obligation that registered representatives make investment recommendations that are suitable and consistent with the interests of the customer. FINRA rules 2090 and 2111 collectively require the registered representative to obtain certain essential facts concerning every customer and to use that information to reasonably determine whether an investment product or strategy is suitable prior to making an investment recommendation. When a sale of securities is executed, broker-dealers are paid a commission from the product sponsor, mutual fund, or insurance company, instead of a fee by the client. The broker-dealer has responsibility for reviewing the offering of the product and having a separate determination of suitability by a registered principal of the firm.

For AALU's members, FINRA Rule 2330 sets forth enhanced and extensive regulatory and supervisory sales practice requirements for recommended purchases or exchanges of variable annuities. These include detailed disclosures about the product, including disclosures of its various features, such as the potential surrender period and surrender charge, potential tax penalty if customers sell or redeem early, mortality and expense fees, investment advisory fees, potential charges for and features of riders, the

insurance and investment components of deferred variable annuities, and market risk. These types of disclosures, detailed as to the features and risks of particular types of investment products in relation to their benefits, are meaningful for investors. Together with information relating to costs and fees provided in confirmations, account statements, and other materials, these types of disclosures enable investors to comprehensively evaluate the products and all associated fees and charges.

More specifically, FINRA Rule 2330 requires:

- ❑ The registered representative's thorough assessment that the particular variable annuity is suitable for the customer, based upon specified factors;
- ❑ Detailed due diligence required to be performed by the registered representative regarding the customer, including age, income, financial situation and needs, investment experience, investment objectives, intended use of the annuity, investment time horizon, liquidity needs, liquid net worth, risk tolerance, tax status, and other relevant information;
- ❑ The registered representative who recommends the variable annuity must promptly send a complete application package to supervisory personnel;
- ❑ A registered principal is required to review and determine whether to approve the recommendation (only after making and documenting his/her own suitability analysis);
- ❑ The requirement for enhanced supervisory procedures for variable annuity sales and exchanges;
- ❑ Specific training policies; and
- ❑ Other requirements regarding the depositing of funds prior to approval.

This enhanced level of due diligence, supervision, and standard of care exceeds the standards applicable to other securities products and the principles-based standards applicable to investment advisors.

Existing disclosure and other customer protection requirements are buttressed by the requirements for daily suitability review by a registered, qualified principal of the broker-dealer of all recommended transactions effected by a broker-dealer – a review that is heightened for products that may present higher risks. Moreover, these internal supervisory and audit procedures are further buttressed by the robust examination programs administered by the Commission, FINRA, and State securities regulators. The frequency and intensity of FINRA audits of broker-dealers means that many potential problems will be detected and corrected through the examination process, and it gives broker-dealers a strong incentive to continuously monitor and adhere to regulatory requirements.

In addition, insurance producers who sell variable products are subject to multiple layers of regulation and oversight—by the Commission, FINRA, State securities regulators (including in each State in which they operate, which often results in oversight by multiple State securities regulators), and State insurance regulators (also in each State in which they are licensed and operate, which again results in oversight by multiple State insurance regulators). Insurance producers are subject to detailed requirements by the carriers who appoint them. These companies employ a due diligence process with new producers to ensure they are working with reputable, licensed, and educated producers, and carriers continue to review producer activity through the tracking of consumer complaints as mandated by state insurance regulators. Insurance producers are also subject to robust internal supervisory procedures by the broker-dealers with which they are affiliated.

The design of variable life insurance products requires medical and often financial underwriting that goes beyond the requirements for traditional securities. The complexity and breadth of applications



relating to these products requires an assessment primarily of financial and protection needs. This necessitates an analysis related to death benefit, cash values, tax considerations, and costs. Further, with each application insurance underwriters assess the need for the coverage, the appropriateness relative to the amount of coverage, the ability to pay—in some cases the underwriter will even interact with the financial professional on the product, premium payment design, and riders selected to accompany the policy.

In addition to the Commission's and FINRA's roles in the registration and sales of these products, the products are also regulated by State insurance commissions. Registered representatives who sell these products are subject to the terms of their contract with the issuing insurance company, which is subject to regulation by multiple state insurance regulators. Indeed, the scope and level of regulation is significantly higher for variable life insurance products than for other securities under the existing standard of care.

We discuss the business of our members and the regulatory requirements specific to the sale of variable products in more detail in Attachment A to this letter.

Coordination between Federal, FINRA and State Regulation is Essential

As the Commission develops a final rule, it is essential to collaborate with federal, FINRA, and State regulators for all types of securities products. Consistency across all regulatory platforms is in the best interest of consumers. As demonstrated by our recent experience in complying with the DOL Rule, a lack of sufficient coordination with other regulators can cause significant harm and disruption in the marketplace that can curtail consumer choice.

Regulation Best Interest: Conflicts of Interest

One of our biggest concerns with the proposal is the lack of clarity around mitigating or eliminating conflicts of interest with financial incentives. As explained above, registered representatives are currently required to comply with a number of federal, FINRA, and State regulations, as well as a variety of broker-dealer and carrier supervisory policies and provisions, to mitigate conflicts of interest and ensure consumers' best interests are being served. The concept of mitigation, while not clearly defined in the Proposal, appears to closely align with compliance and supervisory policies, procedures, and well-accepted industry practices, such as processes for compliance with FINRA Rule 2330. Adding another regulatory requirement, mitigation, which is not clearly articulated potentially creates confusion and adds unnecessary costs for investors, registered representatives, and firms. It is unclear what specific concerns the Commission is trying to address around mitigating conflicts, or what additional mitigation measures it is seeking. Additional clarity in this area is critical in the final rule, or this unclear mitigation concept should be omitted from the final rule. To be clear, there should be flexibility around mitigating conflicts of interest—it should be based on individual facts and circumstances rather than establishing a one-size-fits-all framework. Overly-rigid mitigation requirements could limit consumer choice of products and access to professional financial advice.

We are also concerned about the lack of clarity around eliminating conflicts of interest. Outside of clear and specific guidance from the Commission as to what conflicts must be eliminated—not simply disclosed (or mitigated)—broker-dealers may potentially interpret the rule in a conservative manner, reducing choice by curtailing products and services that are well-suited for some investors. Again, additional clarity in this area is necessary in the final rule or this concept should not be included in the final rule.

Finally, the concepts of mitigation or elimination of conflicts of interest are not developed in the principles-based regulatory regime applicable to investment advisors. Thus, in addition to potentially

creating new, duplicative, and confusing regulatory standards with these unclear concepts, these aspects of the rule will potentially further exacerbate the trend of retraction of the range of products offered by broker-dealers. This potential result is in complete contradiction to language in other areas of the Proposal and in the public statements by the Commission.

Final Rule Must be Compatible with Life Insurance Business Models

The life insurance industry has unique characteristics in terms of business models in the financial services industry, and the Commission should take these differences into account to avoid unintended consequences that could negatively impact consumers whose needs are currently well served. For example, broker-dealers affiliated with life insurance companies generally have significantly different characteristics from full-service broker-dealers in terms of products, services, and operations. Many registered representatives affiliated with life insurance-focused broker-dealers principally sell proprietary life insurance and annuity products. Additionally, some broker-dealers and their registered representatives are dually registered as investment advisors.

Some life-insurance-affiliated broker-dealers are strictly wholesale operations, distributing variable products through affiliated and non-affiliated broker-dealers. These broker-dealers do not generally engage with retail customers or hold securities or customer funds. Some broker-dealers conduct both wholesaling and retail activity. Many producers use a wholesaler to increase the choice of products available to their clients. Having access to a larger suite of products allows producers to find the most appropriate solution to meet their clients' particular needs.

Life insurance and annuity products have always been largely commission-based, a system developed through decades of regulation and supervision by federal and State regulators. In fact, many States review and approve the commissions that can legally be charged for certain insurance-based products. Congress affirmed the importance of commission-based advice in the context of the standard of care for investment advice by ensuring in Section 913 of the Dodd-Frank Act that receipt of a commission should not, in and of itself, be deemed a violation of a future Commission-promulgated standard of care rule.

One of the values of commission-based compensation is that the structure is directly tied to the features of the product. Variable life insurance and annuity products are typically more multidimensional products due to their structure, and the additional time necessary to review these types of products with investors. Ultimately however, all recommendations must be suitable for a client based on the client's current circumstances and objectives.

Commission-based compensation also provides value for investors. Long-term investors may prefer a single point-in-time payment over an ongoing, annual obligation that increases with the value of their investment account. For many investors a brokerage relationship is the better value for a particular transaction. For example, the annual fee associated with an investment advisory account can add up to far more money paid than a point-in-time commission, meaning that commission-based advice is often the most cost-effective option for certain retail investors to receive education and access to life insurance products.

Non-cash compensation associated with variable life insurance and annuity products is strictly regulated by FINRA under rules implemented to detect and prevent abuses and to protect consumers. The Commission should not prohibit currently-compliant compensation arrangements and business models, including non-cash compensation such as producer meetings with an educational component that

reward aggregate producer production. Rather than choosing among different business models and compensation models, the Commission should emphasize clear and concise disclosure of conflicts of interest to customers and prospective customers.

- **Proprietary Products:** Many life insurance companies and producers offer a suite of proprietary products that contribute to a diverse set of quality investment options, allowing retirement savers to meet their needs. Unlike other types of investments, life insurance companies have created products that offer a guarantee that benefits will be delivered. Life insurance professionals have a detailed knowledge of the proprietary products they offer, with the training to explain them to consumers. Limiting access to proprietary products could prevent consumers from obtaining high- quality products that best fit their situation. Financial institutions offering these proprietary products are regulated at the federal, self- regulatory, and State level to ensure registered representatives are providing best interest advice and receiving reasonable compensation. As the Proposal explains, Section 913 of the Dodd-Frank Act provides that offering only proprietary products by a broker-dealer shall not, in and of itself, be a violation of a Commission standard of conduct. We appreciate the SEC’s reaffirmation of this point. Federal, self-regulatory, and State regulators have long recognized the value of proprietary products for consumers.

- **No Bias Towards “Least Expensive” Investment Option:** The final rule should not include the presumption that the cheapest products are those deemed the only ones to be in the best interest of consumers. In fact, it is critical that the cost and value of products and services are considered together. While it is certainly important to ensure that fees are in a consumers’ best interest, it is not necessarily true that a product with lower fees is superior to a product with higher fees. For example, IRAs and 401(k) plans are different products and could be right or wrong for an investor depending on their objectives. The additional products and services available to IRA holders typically cost more, but that does not mean they are inappropriate investments for retirement savers. Many investors may choose to pay more for individualized advice and a wider variety of products that can help diversify a portfolio. This is particularly true for complex investments and products providing guaranteed income. The issue is not whether compensation in year one is higher or lower than another type of investment—the issue is whether the cost to the consumer is reasonable over the duration of that investment when evaluated within the context of its benefits.

- **Full-Time Life Insurance Status (FTLIS):** Many life insurance companies with a career sales force rely on the IRS code governing FTLIS to provide employee benefits to affiliated agents. These agents are independent contractors for employment law purposes—to qualify for health, welfare, and retirement benefits with a life insurance company, an affiliated agent needs to sell a certain amount of their proprietary products. We are concerned that a final rule may contain provisions for mitigating or eliminating conflicts that could be interpreted as nullifying this current treatment. The unique relationship between affiliated agents and life insurance companies, and the benefits of the provision of crucial employee benefits, was recognized by Congress when they established the FTLIS rules—any final rule should be consistent with them.

Concerns About Reduced Choice and Access to Financial Advice for Consumers

We share the Commission’s goal of improving financial advice services for consumers. The benefits to the very same consumers is undermined if the final rule results in reduced product choice and access to professional financial advice. When protecting their families and saving for retirement, individuals must be able to choose what is right for them. It is essential for consumers to fully understand their options. We support clear and simple disclosure of roles, obligations, product offerings, and material conflicts so that consumers are protected, and choice is preserved.

In other product markets, consumers have the independence and freedom to make decisions based on their own determinants of value—including items that have a significant impact on retirement savings such as the purchase of a home. Standardized disclosures, data conformity, good faith estimates, consumer reports, and social media feedback exist to inform consumers, while preserving consumer choice.

- **DOL Fiduciary Rule:** Experience with the DOL fiduciary rule shows the potential harm to consumers of overly-restrictive mitigation or conflict-avoidance measures. While the rule was vacated by the 5th Circuit Court of Appeals in March of 2018, the financial services industry spent almost two years implementing the rule and subsequent transition rules. A variety of evidence from that implementation period shows that the ultimate result of these measures in the rule was a reduction in professional financial advice and choice of products by a number of financial firms. For example, according to a study by Deloitte & Touche evaluating the response of financial service providers to the DOL Rule, 95% of surveyed institutions reduced access to products offered to retirement savers, including annuities.^{iv} Variable annuity distribution declined sharply even though sales typically increase in rising markets—from \$130.4 billion in 2015 (before the DOL Rule) to \$102.1 billion in 2016 (following the DOL Rule’s promulgation).^v The DOL rule was biased against variable annuity products and many firms sought the easiest path forward. See our 2017 comment letters to the Department of Labor for more detail.^{vi}

Client Relationship Summary – Form CRS

AALU supports clear and simple disclosure of roles, obligations, product offerings, and material conflicts so that consumers are protected, and their choices are preserved. Investors would benefit from a short and simple disclosure statement that is presented by financial professionals at the outset of a client relationship, and we support the goal of Form CRS Relationship Summary (Form CRS”) in the Proposal in this regard. However, the Commission should work to avoid the creation of more confusing legalese that few consumers read or find useful to enhance clarity of comprehension.

With respect to format and delivery, the primary structural goal in the design of a disclosure statement should be to communicate material information as succinctly and plainly as possible, making additional layers of information available to the investor as needed or desired. The delivery of this information should be flexible. Retail customers should be able to access hard or electronic copies of disclosure statements, and both should provide opportunities to access additional information as it is needed (through hyperlinked documents, websites, or other means).

AALU Sample Disclosure Template

As part of the SEC’s 2013 Request for Information regarding standards of conduct for broker-dealers and investment advisors, AALU developed such a document, which is included below (Attachment B). Our goal was to develop a simple, user-friendly “first layer” document, which could be used to direct a

customer to additional information if desired. This particular sample disclosure document was written to accommodate a financial services firm that offers insurance, broker-dealer services, and investment advisory services, and it therefore carefully distinguishes the roles and responsibilities relating to each area. However, it can be adapted to three forms, as the Commission has done with its mock Form CRS.

The marketplace is often depicted as one where consumers face a stark choice, commission-based advice or fee-based advice. The reality is that many advisors provide both types of services based on the best fit for the client. We developed our document with this important fact in mind—to clearly explain the different services that are being offered.

One of the firms that was involved in developing our document implemented a similar form on a voluntary basis. Roughly one-third of financial professionals at this firm use this sample disclosure form. While the evidence of its effectiveness is anecdotal, the client response to this disclosure form has been very positive.

During this process, they found it very difficult to develop a blanket disclosure document to encompass a single disclosure document for registered representatives. In their experience, a customized financial professional disclosure with specific licenses and services like Form ADV Part 2 is an important element to include in a final rule.

Summary

We thank the Commission for the opportunity to provide comments on this important subject. We support the Commission's goal of ensuring that the standard of care for broker-dealers and registered investment advisors is appropriate and protects consumers, and believe it is the proper agency to take the lead in this area.

AALU supports a workable and appropriately tailored best interest standard that is neutral to business model, product type, and compensation approach, while preserving consumer choice and access to products and services to meet their varied financial planning needs.

Our members appreciate your thoughtful consideration of these comments. Please reach out with any questions you have.

Sincerely,



Marc Cadin
Chief Operating Officer
Association of Advanced Life Underwriting

ⁱ Rebecca Moore, *Pre-Retirees Want Lifetime Income Guarantees*, Plan Adviser, October 17, 2017, available at: <https://www.planadviser.com/pre-retirees-want-lifetime-income-guarantees/>.

ⁱⁱ These calculations are based on data from the 2017 NAIC Annual Statement Data and ACLI calculations based on the U.S. Federal Reserve Board, Flow of Funds Accounts of the U.S.

ⁱⁱⁱ American Council of Life Insurance, *Life Insurers Fact Book*, 2017, available at: <https://www.acli.com/posting/rp17-009>.

^{iv} *The DOL Fiduciary Rule: Study on How Financial Institutions Have Responded and the Resulting Impacts on Retirement Investors*, August 9, 2017, Deloitte & Touche LLP.

^v *IRI Issues Fourth-Quarter 2016 Annuity Sales Report*, March 30, 2017.

^{vi} See Letter from David J. Stertz to Department of Labor, Definition of the Term “Fiduciary”—Additional Comments Regarding the Economic Impact of the Rule and Associated Exemptions (RIN 1210-AB79), April 17, 2017, available at: <https://www.dol.gov/sites/default/files/ebsa/laws-and-regulations/rules-and-regulations/public-comments/1210-AB79/01422.pdf>; See Also Letter from David J. Stertz to Department of Labor,

Request for Information Regarding the Fiduciary Rule and Prohibited Transaction Exemptions: Response to Question 1 Relating to Extending the Transition Period of the Fiduciary Rule (RIN 1210-AB82), July 21, 2017, available at: [https://www.dol.gov/sites/default/files/ebsa/laws-and-regulations/rules-and-regulations/public-](https://www.dol.gov/sites/default/files/ebsa/laws-and-regulations/rules-and-regulations/public-comments/1210-AB82/00263.pdf)

[comments/1210-AB82/00263.pdf](https://www.dol.gov/sites/default/files/ebsa/laws-and-regulations/rules-and-regulations/public-comments/1210-AB82/00263.pdf); See Also Letter from David J. Stertz to Department of Labor, Request for Information Regarding the Fiduciary Rule and Prohibited Transaction Exemptions (RIN 1210-AB82), August 7, 2017, available at: <https://www.dol.gov/sites/default/files/ebsa/laws-and-regulations/rules-and-regulations/public-comments/1210-AB82/00584.pdf>.

Attachment A – AALU Members, Their Business, and the Regulation Under Which They Operate

AALU members are engaged primarily in sales of life insurance used as part of estate, charitable, retirement, deferred compensation and employee benefit services. Many of our members work primarily with individuals, who often retain attorneys, accountants, and other professionals to assist in developing products and services for their long-term life insurance protection and retirement needs. Many of our members offer variable life insurance and variable annuity products.

Our members are licensed insurance producers. Many are registered representatives of an SEC/FINRA-registered broker-dealer, and many also are associated persons of an SEC-registered investment advisor, and therefore are subject to both the broker-dealer and investment advisor regulatory regimes. Many of our members own their own insurance agencies. Some of these agencies own or are affiliated with broker-dealers or investment advisors. Thus, our members are subject to the state insurance laws of each state in which they operate. Those who sell registered products are, in addition, subject to SEC, FINRA, and state securities regulation in multiple states. Those who operate or are associated persons of registered investment advisors are subject to SEC regulation of investment advisors.

Many of our members have served the same individual clients and their families for decades. Our customers are of primary importance to us and, for that reason, we work closely with them to understand their needs and objectives in connection with the insurance and investment products we are authorized to sell, within the framework of our contracts with carriers and other obligations under all of the laws and regulations to which we are subject.

Our obligations under state insurance laws.

Life insurance producers must meet applicable standards, requirements, and safeguards in every state in which they sell life insurance. While each state has its own set of laws in this area, the National Association of Insurance Commissioners (“NAIC”) has brought significant uniformity to the various state laws. The NAIC and the states continuously work to develop and enhance regulation to meet the needs of insurance consumers based on new developments in the marketplace for insurance products and other products sold by licensed insurance producers. States typically adopt all or key portions of model laws developed by the NAIC. The NAIC discussed state insurance regulatory standards in a 2017 submission to the SEC that explained:

All annuity contracts, including fee-based annuity contracts, must comply with applicable state laws including those addressing, for example, required policy provisions, prohibited policy provisions, permitted exclusions and prohibited exclusions, policy format requirements, readability requirements and supporting documentation requirements, such as actuarial memorandum requirements.

Generally, the policy, application, riders and endorsements are required to be submitted in the filing along with the actuarial documentation to demonstrate compliance with nonforfeiture requirements. Some states will perform prior review and approve the product for sale in advance (“prior approval”) while other states permit insurers to file the product and sell it unless the product filing is disapproved by the regulator (“file and use.”) In addition, 44 states and Puerto Rico, representing more than 75% of premium volume, are part of an Interstate Insurance Compact (Compact).

The Compact established a multi-state public entity, the Interstate Insurance Product Regulation Commission (IIPRC), which serves as an instrumentality of the Member States. The IIPRC stands in the shoes of the compacting states and serves as a central point of electronic filing for certain insurance products, including life insurance, annuities, disability income, and long-term care insurance to develop uniform product standards, while at the same time affording a high level of protection to purchasers of asset protection insurance products.ⁱ

State insurance laws typically regulate the activities of both insurance companies and producers, protecting the interests of life insurance consumers in a number of critical ways. Every state law requires minimum levels of competency for producers by requiring that they pass a test, answer background check questions as part of the application process, and obtain a license prior to selling, soliciting, or negotiating life insurance and annuity products. Many states require producers to complete pre-licensing education. All states require insurance producers to complete ongoing continuing education to maintain their licenses. Some states mandate training in specific products that have particular risks associated with them. As part of licensing, state insurance commissioners must determine that the producer is competent, trustworthy, financially responsible, and of good personal and business reputation. Commissioners have broad discretion to revoke licenses based upon violations of insurance law or financial dishonesty.

States also have widely adopted a version of the NAIC Model Unfair Trade Practices Actⁱⁱ, which gives insurance commissioners authority to revoke a producer's insurance license and issue cease and desist orders for estimates, illustrations, circulars or statements, sales misrepresentations, omissions or comparisons which misrepresent the benefits, advantages, terms or conditions of a life insurance or annuity contract. Another model law, the NAIC Insurance and Annuities Replacement Model Regulationⁱⁱⁱ, establishes protections for consumers through required systems of supervision, control, monitoring, and recordkeeping for insurers and producers.

Most states have adopted a version of the NAIC Suitability in Annuity Transaction Model Regulation, which is designed to ensure that annuity transactions address insurance and financial objectives of consumers by imposing suitability standards and duties for life insurance companies supervising and detecting unsuitable sales. NAIC is currently engaged in enhancing this model regulation to incorporate a best interest standard. Changes were proposed at NAIC's Annuity Suitability Working Group meeting on March 24, 2018. AALU, in conjunction with several of our industry partners, submitted comments on April 27, 2018.^{iv} NAIC held a public hearing on May 31-June 1 to review submitted comments, and a new working draft of the proposed enhancements is expected to be distributed to the Working Group for further discussion.

Many states have adopted a version of the NAIC Annuity Disclosure Model Regulation to provide standards for the disclosure of certain minimum information about annuity contracts to protect consumers and foster consumer education. In addition, states have widely adopted a version of the NAIC Model Law on Examinations, which sets forth clear guidelines for state insurance commissioners to schedule and conduct effective and efficient market conduct examinations of the activities, operations, and financial conditions of those who sell life insurance products.

It is important that the Commission recognize the breadth and effectiveness of these state laws, many of which address the same issues of customer protection (e.g., requirements for full disclosure about the risks of the products being sold; regulation of sales practices by the financial professionals who sell

them; training, supervision, and auditing of those financial professionals) addressed under Exchange Act and FINRA regulation.

As part of the request for information about proposed changes to its model annuity regulation earlier this year, the NAIC explained that:

[I]f the SEC were to adopt revised standards of conduct for advisers or FINRA were to adopt best interest standards for registered representatives, those standards would involve supervisory systems that are generally recognized by state insurance regulators as complementary. Indeed, insurance regulation is currently in harmony with federal and state securities regulation for shared distribution channels. In addition, consumer protection is the hallmark of the state-based insurance regulatory system, and a robust regulatory framework upon which an exemption could be based already exists with respect to the sale of insurance and annuity products. In particular, state insurance regulators operate locally to their states and consumers, and can respond relative quickly to issues when they arise.^v

The NAIC further noted that:

Market analysis and risk-based consumer protection by state insurance regulators, and insurance sector compliance, has significantly increased since the passage of Section 989J [of the Dodd-Frank Act]. While reconsideration of insurance adviser standards of conduct is warranted, the NAIC has a strong interest in avoiding insistent market regulation across the business of insurance. Notwithstanding the existing rules, we acknowledge that there is broad consensus among widely disparate groups for an updated and consistent standard for providing personalized investment advice to retail investors. Accordingly, we have been working to update our suitability standards and sales practices for life insurance and annuities. The NAIC is in the process of considering revisions to its suitability rules to potentially include a best interest standard of care... We strongly encourage [Federal] regulators to coordinate with us as we seek to update these rules.^{vi}

Our contractual obligations to the carriers who appoint us.

In the sale of insurance products, our members are appointed by carriers pursuant to producer contracts that specify, in detail, the producer's duties and obligations to the carrier.

These contracts vary among carriers, but typically may include, among other things, the producer's responsibilities to (1) treat money and applications as property held in trust; (2) comply with the carrier's underwriting and issue requirements and all applicable insurance laws and regulations of the jurisdictions in which the producer operates, including laws and regulations pertaining to client funds, confidentiality, licensing, rebating, replacements, illustrations, solicitation, and advertising; (3) comply with the carrier's rules and procedures regarding the sale of products and delivery and servicing of policies; (4) inform the carrier of all material facts of which a producer is aware relating to the insured or proposed insured prior to issuance and delivery of policies; (5) train and supervise a producer's employees, agents, and representatives; (6) solicit and submit only authorized products; and (7) immediately notify the carrier of any customer complaint.

These contracts generally require further representations and warranties by the producer, including that the producer will comply with licensing and other requirements of the jurisdictions in which the

producer operates, as well as with the carrier's own rules and processes relating to market conduct and other activity. Failure to comply with any of these requirements may result in the termination of a producer's appointment by the carrier. Producer contractual obligations to carriers are designed to help ensure compliance with laws and rules which are designed to protect life insurance product purchasers and policyholders.

The carrier is regulated and audited by state insurance regulators in each of the states in which it operates. While information concerning the scope and detail of these audits may be best obtained from the carriers, they often involve examinations of market conduct, focusing on the carrier's records and files concerning producers who are appointed to sell the carrier's products.

With respect to the sale of variable life insurance and variable annuities, the carrier's contract may involve multiple parties (e.g., the distributor, a broker/dealer registered with the Commission and a member of FINRA, and the insurance agency) and the carrier typically enters an agreement with the broker/dealer and those persons associated with the agency who are FINRA registered representatives of the broker/dealer and state insurance licensed agents of the carrier to solicit and procure applications. Pursuant to the contract, the broker/dealer makes numerous representations, including, among others, (1) that it is registered with the Commission and a member of FINRA; (2) that the broker/dealer will ensure that no registered representative will sell or recommend for sale any contract without reasonable grounds for believing, after appropriate inquiry, that the purchase of a contract is suitable for that person (and other requirements under FINRA rules); (3) that the broker/dealer agrees to provide the carrier with annual certification as to compliance with applicable state laws; and (4) that the broker/dealer has implemented a training program for its affiliated registered representatives in specified areas.

Sales of variable life insurance policies.

Although treated as a security under the securities laws, a variable life insurance policy is, like a fixed life insurance product, first and foremost a contract that pays a death benefit to the insured's beneficiaries in the event of an untimely death. From an insurance law perspective, the primary interest of the client must be to purchase a policy that is suited to his or her individual insurance needs. That in turn requires careful and thorough medical and/or financial underwriting of the particular individual, after gathering detailed information from the client. This is a lengthy process, ranging from 30 to up to 180 days, during which there are multiple points at which the client and the client's other advisors have the opportunity to consider various aspects of the transaction.

Underwriting of medical/non-medical risk factors is almost always required when obtaining bids from one or more carriers for a life insurance policy. Medical underwriting evaluates the current and prospective health of the insured, and assesses when the insurance company is likely to pay death benefit proceeds to the insured's beneficiaries—based upon the collected medical information and any non-medical risk factors. This assessment sustains the initial carrier decision whether to deny coverage, offer coverage at various defined risk classifications, or offer coverage subject to certain restrictions.

As part of this process, the producer helps the client determine the appropriate death benefit based upon a detailed and thorough "needs analysis" which, for a person seeking to replace his or her income for surviving family members, would generally include analysis of information for the individual and spouse, including: annual gross income from all sources; mortgage debt and all outstanding loan and revolving credit balances and other outstanding debt; estimated routine household expenses; a

calculation of final expenses (including medical costs, probate and funeral expenses); calculation of an estimated annual inflation rate; estimated liquid assets; estimated retirement assets, such as amounts in pension plans, IRAs, 401(k)s; amount of any existing life insurance coverage in place; the number of dependent children and the estimated cost of education through college for each child; and the number of years of salary the client wishes to set aside for lifestyle maintenance. The subsequent analysis would then calculate an insurance amount that is needed to cover debts, providing for children, and lifestyle maintenance. This would result in the total protection needed, from which total assets would be subtracted to determine the additional life insurance needed.

Once the appropriate death benefit has been set, and medical underwriting has judged whether coverage is available and under what conditions, the insurance agent (a registered representative) then examines potential policies from one or more carriers. The cover letter to the carrier is often used by the representative to describe in detail the background of the transaction, show how the amount of proposed insurance was calculated, and disclose and clarify unusual factors that may not be obvious in the application. Some carriers may treat certain pre-existing conditions or other factors less onerously than others and offer better pricing for the same type of policy.

Financial underwriting is often required to address the state insurance law requirement of “insurable interest”; that is, to ensure that the owner of a variable life insurance policy has a greater interest in the continued life of the insured than they would have in the insured’s death. The existence of insurable interest is a legal prerequisite under state insurance law to the issuance of an insurance policy. Financial underwriting is also designed to address the issue of “loss” – whether the amount of insurance applied for is reasonable in relationship to the potential loss. Here, the underwriter looks to the purpose of the insurance, such as income replacement, estate planning, or charitable giving.

To assess both “insurable interest” and “loss,” the underwriter of a life insurance policy is provided with extensive and accurate information that provides the financial justification for the amount of coverage requested. Such details would include, for instance, in the case of income replacement insurance, information regarding age of the insured, current gross annual income and current insurance in force. Insurance for purposes of estate planning would require an estate analysis, and insurance for charitable giving would require such things as documented history of giving to the named charity, such as past copies of tax returns as well as details of any volunteer work with the charity to demonstrate strength of the relationship.

A key component of financial underwriting is assessing the policy owner’s sources of funding for the life insurance premium payments. In connection with this assessment, the underwriter would attempt to determine, among other things, whether a particular type of investment is being depleted to fund life insurance, whether those funds are needed (or are more likely to be needed) more for living expenses, whether the client is retired, and whether the need for liquidity is greater than the need for insurance.

Layered on top of this analysis, much of which is designed to meet the requirements of state insurance laws, as well as the carrier’s underwriting requirements, is a set of comprehensive SEC/FINRA requirements for the recommendation/sale of the investment product. Among other requirements under applicable FINRA rules, a broker-dealer must have a reasonable basis to believe that each securities transaction or investment strategy involving a security recommended by a broker-dealer is “suitable” for the client based upon very specific information that the broker-dealer is required to gather from the client and maintain, regarding the client’s financial status, tax status, investment experience and objectives, time horizon, liquidity needs, and risk tolerance and such other information

used or considered to be reasonable in making recommendations to the client. Broker-dealers are required to use diligence to learn the essential facts regarding the opening and maintenance of customer accounts. In addition, broker-dealers are required to perform product due diligence before an investment product can be recommended to the broker-dealer's clients.

After the initial diligence and approval, the broker-dealer is further required to monitor the approved products for continued appropriateness for the broker-dealer's clients. Recommended transactions effected by a broker-dealer must be reviewed for suitability under these rules on a daily basis by a registered, qualified principal of the broker-dealer. Our members who sell these products also are covered by requirements that broker-dealers have in place systems of supervisory control designed to assure the suitability of recommended transactions and to spot unsuitable recommendations, which include both daily real-time monitoring of transactions and review of every brokerage client account not less frequently than annually.

In considering the standard of care for sales of these products, it is noteworthy that the context and motivations of the purchaser of a variable life insurance contract are very different from those of a normal retail investor. The insurance purchaser is seeking to address insurable risks of loss, often to benefit persons other than the purchaser, rather than generate a return for the purchaser. The loss being covered usually is the lost income resulting from the death of the purchaser. Variable life insurance products commonly are used in connection with tax and estate planning. The purchaser is seeking to provide a life insurance death benefit for a third-party beneficiary – usually family members. The insurance element adds the expense of the mortality risk expenses, which decreases the net investment return on the securities element of the investment.

There is an element of investment management to these variable insurance products, but it is embedded within the funding vehicle for the insurance contract. The investment management of the funding vehicle is regulated under the Advisers Act, and in many cases the Investment Company Act as well (in addition to regulation under state insurance laws). The appropriateness of the recommendation of the variable insurance contract by the broker/insurance agent is regulated and supervised under suitability rules. It is a one-time time of sale review for which the FINRA rules were designed. The appropriateness of the investment activity conducted over time within the funding vehicles is regulated under the Advisers Act, the Investment Company Act and state insurance laws (as well as federal tax laws).

ⁱ See NAIC Comment RIN 1210-AB82 Request for Information Regarding the Fiduciary Rule and Prohibited Transaction Exemptions (August 7, 2017) <https://www.dol.gov/sites/default/files/ebsa/laws-and-regulations/rules-and-regulations/public-comments/1210-AB82/00452.pdf>.

ⁱⁱ Unfair Trade Practices Act, NAIC Model Regulation Service at 880-1 (Jan. 2004), available at: <http://www.naic.org/store/free/MDL-880.pdf>.

ⁱⁱⁱ Insurance and Annuities Replacement Model Regulation, NAIC Model Regulation Service at IV-613-1 (Oct. 2007), available at: <http://www.naic.org/store/free/MDL-613.pdf>.

^{iv} See Letter from David Stertz and Dan LaBert, Comments on Suitability in Annuity Transactions Model Regulation (#275) Draft Revisions, January 22, 2018. See also Comments on Potential Revisions to the Suitability in Annuity Transactions Model Regulation (#275), AALU, IRI, NAIFA, and Indexed Annuity Leadership Council, April 27, 2018. {I have Mehnaz making links for both of these PDFs}

^v NAIC Comment RIN 1210-AB82.

^{vi} NAIC Comment RIN 1210-AB82.

Attachment B

INDEPENDENT CONTRACTOR RELATIONSHIP WITH ACME

As an independent financial professional, I am able to work with my clients to determine the services that are most appropriate given their goals and circumstances. Based on the services you request, I work through various ACME companies (described in this document), to fulfill your risk management and wealth management needs in my capacity as an insurance agent (insurance services), as a registered representative (brokerage services), as an investment adviser representative (advisory services), or any combination of these roles.

I am affiliated with the ACME companies (also collectively referred to as "ACME") in the following ways:

- I & REP COMPANY NAME are contracted through ACME Insurance Agency, Inc. to provide fixed (general account) life insurance and annuity products that are regulated by state insurance departments.
- I am also a Registered Representative of ACME Securities, Inc., a national, introducing broker-dealer, registered with the Financial Industry Regulatory Authority (FINRA) and the U.S. Securities and Exchange Commission (SEC). When selling securities products, I sell these products through the broker-dealer. These products include variable life insurance and annuity products offered by life insurance companies.
- I am also an Investment Advisor Representative of ACME Advisers, Inc., registered with the SEC.

I am not an employee of ACME companies; I am an independent contractor and have chosen to affiliate with the ACME companies to offer certain financial products through them to my clients. REP COMPANY NAME is likewise not owned or controlled by ACME. As independent contractors, we pay all of our own expenses including staffing, rent, medical and retirement benefits.

It is important to understand that insurance, securities and investment advisory services are separate and distinct and each is governed by different laws, legal standards and separate contracts with you. While there are similarities, depending on the capacity in which we act, our contractual relationship and legal duties to you are subject to a number of important differences. I encourage you to review this information carefully and discuss it with me further if you have any questions.

INSURANCE SERVICES DISCLOSURES

INSURANCE PROFESSIONAL SERVICES:

I am licensed with certain state departments of insurance and appointed with several insurance companies to offer a wide variety of insurance products such as life insurance, disability insurance, long-term care insurance, annuity products and group insurance.

When I serve as an insurance agent, my compensation is exclusively in the form of commissions, and bonuses (which could be cash or non-cash arrangements such as travel) paid to me directly by the insurance carrier or through ACME Insurance Agency, Inc. While I am under no obligation to sell any specific company's products, I have agreed to minimum production requirements, in aggregate, to maintain a relationship with

ACME's preferred insurance carriers. ACME's contracts and purchasing power with these carriers may allow us to purchase insurance products at better terms for our clients and also may lead to higher compensation paid on business with certain carriers than other carriers that we may work with through other relationships.

BROKER-DEALER SERVICES DISCLOSURES

BROKER-DEALER SERVICES:

As an introducing broker-dealer, ACME Securities, Inc. is able to take customer orders and execute securities transactions either by you writing a check to an insurance company, mutual fund company, or other investment company directly, or by you establishing a brokerage account and making deposits to our clearing firm, WIDGETS LLC.

I can assist clients in meeting overall investment needs and goals and implementing investment strategies that are designed to pursue those investment goals. I am also able to make recommendations to brokerage clients about whether to buy, sell or hold securities such as stocks, bonds or mutual funds.

However, I will only buy or sell securities upon specific directions from you. ACME Securities, Inc. does not allow me, as a registered representative, to have the discretion to make investment decisions on your behalf.

- Recommendations made are considered to be part of our brokerage services and no separate fee is charged for this advice.
- Recommendations must be suitable for each client in light of the client's particular financial circumstances, goals and tolerance for risk.

VARIABLE LIFE AND ANNUITY PRODUCTS:

Variable life insurance and annuity products are regulated by state insurance/securities departments, by FINRA and the SEC (an overlap of insurance and broker-dealer regulatory structures). These products are filed with the SEC and require a prospectus, which contains information on costs and risks associated with the investment. These products are regulated as securities because they offer clients investment choices in sub-accounts that contain securities. When these products are recommended to the client, we are acting in the capacity of a broker-dealer. Compensation is in the form of commissions and bonuses similar to fixed (general account) life insurance products. These transactions are supervised by ACME Securities, Inc. and must be deemed suitable for the client, based on information you provide.

COMPENSATION, CHARGES AND POSSIBLE CONFLICTS:

If you choose to establish a brokerage account with us, you will pay a commission for our brokerage services each time we execute a transaction for your account. In the case of variable life and annuities, ACME Securities, Inc. will be paid a commission by the insurance company that issued the policy. ACME Securities, Inc. pays a large portion of the commission it receives to me as a registered representative of the broker-dealer.

While I am under no obligation to recommend any specific company's products, I have agreed to minimum production requirements, in aggregate, to maintain a relationship with ACME Securities, Inc.'s preferred insurance companies. ACME Securities contracts and purchasing power may allow us to

purchase products at better terms for our clients and may lead to higher compensation paid on business with certain insurance carriers than other carriers that we may work with through other relationships.

In addition to the full disclosure of all charges for specific products which can be found in the prospectus, further details about specific brokerage service pricing and special compensation arrangements that ACME Securities has with issuers may be found by visiting our website at the following link _____ or will be provided to you at your written request.

ROLE & RESPONSIBILITY AS YOUR BROKER DEALER:

When I act as your broker for securities transactions, ACME Securities, Inc. and I are held to the legal standards of the Securities Exchange Act of 1934, the Securities Act of 1933, the rules of self-regulatory organizations such as FINRA and state laws where applicable, which include:

- As your broker and broker-dealer, ACME Securities, Inc. and I have a duty to deal fairly with you.
- We must have a reasonable basis for believing that any securities recommendations we make to you are suitable and appropriate for you, given your individual financial circumstances, needs and goals as disclosed to us by you.
- A registered principal of ACME Securities, Inc. must also review the recommendations I have made and evaluate whether or not they are suitable.
- Consistent with our duty of fairness, we are obligated to make sure that the prices you receive when we execute transactions for you are reasonable and fair in light of prevailing market conditions.

When we act as your broker, we do not enter into a fiduciary relationship with you, as we do when providing investment advisory services. Our legal obligations to disclose detailed information to you about the nature and scope of our business, fees, and conflicts between our interests and your interests is different than when we have fiduciary duties with you as described further in our Advisory Services Disclosures.

INSURANCE AND BROKERAGE SERVICES ADDITIONAL DISCLOSURES

ACME Insurance Agency, Inc. and ACME Securities, Inc. have contracts with certain insurance companies to have access to products, expertise and systems, and maintain purchasing power with these carriers for our clients. We have also agreed to perform certain services in lieu of insurance company employees performing those services, including gathering all medical information. As a result of direct contracts and a large volume of business with these select insurance companies, there may be higher compensation paid by these carriers to us than ones that we work with through other relationships. These carriers will reimburse ACME companies for medical exams, lab work and the costs of gathering medical records. In addition, select carriers may subsidize software, training, meetings, and trips and other benefits, but the value of these items in total does not exceed 5% of total compensation.

ADVISORY SERVICES DISCLOSURES

INVESTMENT ADVISORY SERVICES:

I may offer a number of investment advisory services to clients, acting in the capacity of an investment adviser representative of ACME Advisers, Inc. Services may include comprehensive financial planning, limited discretionary investment advisory programs, and advice on the selection of investment managers and mutual funds offered through our investment advisory programs.

When we act as your investment adviser, we will enter into a written agreement with you expressly acknowledging our investment advisory relationship with you and describing our obligations to you. At the beginning of our advisory relationship, we will give you our Form ADV Part 2A and Part 2B brochure(s) that provide detailed information about, among other things, the advisory services we provide, our fees, our code of ethics, our other business activities and financial industry affiliations and any conflicts between our interests and your interests. This information can also be found at the following link _____

CHARGES FOR INVESTMENT ADVISORY SERVICES:

For asset management accounts ACME Advisers will charge you an annual fee which you will authorize to be withdrawn from your account on a quarterly basis. These fees are based on a percentage of assets held in your advisory account. For consulting services, fees for services will be negotiated with me and documented in the advisory contract. ACME Advisers will pay me a large portion of the fees that you pay directly or authorize to be withdrawn from your account.

FIDUCIARY ROLE & RESPONSIBILITIES AS AN INVESTMENT ADVISER:

As a registered investment adviser, ACME Advisers, Inc. and I are considered to have a fiduciary relationship with you. We are held to legal standards under the Investment Advisers Act of 1940 and state laws, where applicable, that reflect these standards, which include:

- Obligations to disclose to you all material conflicts between our interests and your interests.
- If we or our affiliates receive additional compensation from you or a third-party as a result of our relationship with you, we must disclose that to you.
- We must obtain your informed consent before engaging in transactions with you when we act in an advisory capacity.
- We must treat you and our other advisory clients fairly and equitably and cannot unfairly advantage one client to the disadvantage of another.
- The investment decisions or recommendations we make for you must be suitable and appropriate for you and consistent with your investment objectives and goals and any restrictions you have placed on us.
- It is important to note that there may be limitations on damages you may recover against us as an advisor, such as damages being limited to amount equal to fees paid.

Business Relationships

REP NAME and the ACME Companies

Explaining the differences between Insurance, Broker Dealer and Investment Advisory Services

FOR MORE INFORMATION

Ensuring that you understand the various roles in which I may deliver various financial products to you is important to me. The insurance, brokerage and advisory services we offer differ in ways other than those summarized in this document. Therefore, it is important you carefully read all agreements and disclosures provided to you with respect to the specific products or services under consideration.

While we strive to make sure the nature of our services is clear, if

you need information beyond the disclosure provided here, links to the website, information contained in prospectuses, or the form ADVII, we welcome your questions. You can either direct these to me as your financial professional or request information in writing or via email.

For more information, visit us at www.acmesecurities.com

By signing below, I, _____, acknowledge that, NAME HERE REP NAME has reviewed with me the various roles in which he/she may serve and given me an opportunity to seek additional information about the nature of the services and potential conflicts of these roles.

CLIENT NAME

DATE
