



Contracting Checklist for National Guardian Life

Please submit the following information and documents to **SMiG** when licensing with NGL:

- Completed and Signed NGL Contracting Agreement
- Completed and Signed Fair Credit Reporting Act Consumer Disclosure
- Completed and Signed Direct Deposit Enrollment Form with Voided Check (required)
- Completed and Signed Annualization Plan Supplement Agreement
- Completed and Signed Assignment of Commissions (when Necessary)
- Completed and Sign AML Self Certification Form
- Include copies of current license(s), individual and corporate
- Completed and Signed W-9

STATE LICENSING FEES MAY APPLY!!!

Send the above information to SMiG:

By Email: contracts@smig-inc.com

By Fax: 314-685-8013

By Mail: Senior Marketing Insurance Group
712 N 2nd St, Suite 310
Saint Louis, MO, 63102

The licensing process cannot begin until all of the above items have been received!!! If you have any questions, please call us at: 1-866-345-0109.

1. _____ NGL Agreement

The agreement must be completed with a signature on pages 3 & 4 and returned to the Managing Producer for their signature. Then the form can be forwarded to the NGL Home Office for authorization. Once the appointment is completed, an authorized copy will be returned to the producer.

2. _____ Commission Schedule

A copy of the commission schedule(s) must be included with the NGL Agreement when submitting the forms to NGL. (Obtain from your Managing Producer.)

3. _____ Copy of Current State License(s) that the Producer will be appointed for.

4. _____ Non-Resident Appointment Fees (if applicable)

NGL will pay the appointment fees in the resident state only. If applying for appointments in other non-resident states, be sure to include a check or money order for the appropriate fee amount(s) with the copy of non-resident license(s). Once in receipt of the fees we will submit the appointments from our home office.

5. _____ Assignment of Commissions Form (Optional)

This form is used if commissions are not paid to the Producer, but to the Managing Producer, Agency or other entity.

6. _____ Reserve Account Amendment and Authorization Form (Optional)

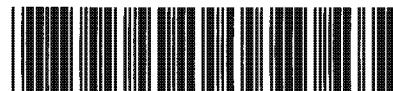
Signatures required for both Producer and the Managing Producer.

7. _____ Compliance Manual (for your information and will not need to be returned with the contracting forms to NGL.)

8. _____ AML Paper Training Course & Self Certification Form

All life insurers who offer individual life insurance policies, which include NGL's products, must maintain an anti-money laundering program and ensure that our agents have received the appropriate training. To comply with this federal requirement, NGL provides training for all licensed and actively appointed producers in the states of AK, CT, FL, KY, MA, MD, ME, MI, MN, MT, NC, NH, NJ, OH, OK, OR, SD, TX, UT, VT. Once you have finished the AML Paper Training Course please fill out and return the Self Certification form.

Please return all documents to your Managing Producer for signature and authorization.



Contracting Agreement

National Guardian Life Insurance Company • Settlers Life Insurance Company • PO Box 1191 • Madison WI 53701-1191
Phone 800.988.0826 • Fax 608.443.5042 • www.nglic.com

General Powers, Relationship and Duties

- 1. Appointment and Authority.** The undersigned producer (referred to as You or Your) is appointed as a Producer of National Guardian Life Insurance Company (referred to as We, Us or Our) and is permitted to solicit applications for those plans of insurance authorized by Us. You agree to procure, renew and maintain any resident and/or non-resident licenses and appointments that any State may require for soliciting applications for Our products.
- 2. Independent Contractor Status.** You and We agree that You are an independent contractor and that nothing contained in this Agreement shall be construed to create the relationship of employer or employee between Us and You. You will not be treated by Us as an employee for federal or state tax purposes and We will furnish You with an annual information return (1099-MISC). You are free to exercise your own judgment, including the time, place and persons from whom You solicit applications for insurance.
- 3. Business Conduct.** Your authority to represent Us is contingent on Your conforming to all rules and guidelines as may be stated in this Agreement, Our rate books, Our compliance manual or any other materials (the 'Company Rules') We provide to You. In addition, You agree to comply with all federal, state or local laws, rules and regulations (the 'Laws and Regulations') where You are doing business. You agree to aid in the care and conservation of Our insurance business and provide prompt service to Our policyholders. You also agree to train and supervise Your producers and Employees and ensure that they comply with all Company Rules and the Laws and Regulations. 'Employees' shall include, without limitation, any officer, director, employee, subcontractor, or other person authorized to act on Your behalf.
- 4. Marketing.** You agree that no territory is exclusively assigned to You and that We may withdraw from any territory. You also agree that We can change, modify or discontinue any policy or rider. In addition, You agree that policyholders are considered Our policyholders and We reserve all rights regarding control, service and distribution of the policyholders.
- 5. Privacy.** You agree that all nonpublic personal financial information, nonpublic personal health information and credit card cardholder data related to any insured or policyholder or to any consumer or customer (as such terms are defined under applicable state or federal privacy laws) of Us or any of Our affiliates, obtained by You in the performance of Your duties and obligations under this Agreement shall be held in the strictest confidence by You, Your Producers and Employees. You shall not disclose or use such information or data except as necessary to carry out Your duties and obligations under this Agreement or as otherwise required under applicable state or federal law. You acknowledge that You are responsible for the security of all such information and data. This provision survives termination of this Agreement.
- 6. Legal Proceedings.** Any document that has been served upon You in connection with any legal proceedings involving Us must be transmitted to the Home Office by registered mail within 24 hours after receipt. You will be liable to Us for any loss or expense We incur resulting from Your failure to comply with this requirement. You hereby represent and agree that this Agreement is contingent on Your continuing representation that You have not been convicted and, to the best of your knowledge, that none of Your producers or Employees have ever been convicted, of any state or federal felony involving dishonesty or a breach of trust or any crime under 18 U.S.C. § 1033 unless You obtained the prior written consent of the insurance regulatory official possessing regulatory authority over You. You agree to notify Us immediately in writing of any charges or actions brought in any court or by any regulatory body against You, Your producers or Employees and of any felony conviction(s) of You, Your producers or Employees. Failure to comply with any of the provisions of this section shall be cause for immediate termination of this Agreement.
- 7. Records.** We shall have the right, but not the obligation, at all reasonable times to inspect Your papers, documents and records, wherever located, which relate to Our business. All papers, documents and records of any sort relating to applications for insurance, existing policies, claims for benefits or inquiries from regulatory authorities must be promptly submitted to Us. All rate books, supplies, computer software and any other indicia of agency must be returned to Us upon demand.
- 8. Collection of Premiums.** You may not collect any money on Our behalf except for the initial premium. You agree to be responsible for and to remit promptly, or within the time required by Your state, to Us, all monies collected and to hold all monies in trust for Us, not subject to any offset by You and not to be commingled with your personal funds.

Compensation

- 9. Compensation.** If you have an arrangement with your Managing Producer to compensate you directly, You acknowledge that you have no right to commissions from Us for any sales You produce for Us. If You do not have such an arrangement or if We permit you to solicit applications after termination of Your arrangement for compensation direct from Your Managing Producer, You are entitled to compensation in accordance with the Commission Schedules(s) provided to You on business written by You or Your producers. The commissions specified in the Commission Schedule(s) shall constitute the total commissions which can be earned by You and Your producers. You agree that We have the right to reject any application and that commissions are not due on such applications. In addition, You agree that commissions on policies not listed on the Commission Schedules(s) shall be determined in each case by Us. We reserve the right to change the Commission Schedule(s) at any time for policies written thereafter.
- 10. Unearned Compensation.** If you receive commissions from Us, You agree that commissions are subject to chargebacks as set out in the Commission Schedule(s). In addition, if We return premium at any time for any reason, You agree that You are not entitled to commissions based on those premiums and any such commissions paid to You are a debt due Us. You agree that we have the right to establish a commission reserve account in your name at anytime and use any amount in Your commission reserve account to offset any indebtedness You owe to NGL. We have the right to change the amount required and the terms of Your reserve account at any time. This provision survives termination of this Agreement.
- 11. Vesting Of Commissions.** If you receive commissions from Us, You agree that, if this Agreement terminates for any reason, first year commissions are 100% vested, subject to the following provisions, which survive termination of this Agreement:
- Any time Your total compensation from Us during a calendar year is less than \$1,000, We may, at Our option, pay You a single lump sum equal to 100% of that year's compensation as full payment in lieu of future vested commissions.
 - In the event of Your death, compensation payable to You under this Agreement will be paid to Your assigns, if any, otherwise to Your surviving spouse and to Your surviving spouse's estate thereafter. If You die leaving no assigns or spouse, such compensation will be paid to Your estate.
 - Unless all debts are fully repaid by You within sixty (60) days from the date such debts are due, we may immediately terminate Your rights to any unpaid, vested commissions.
 - If You are terminated for cause or shall fail to conform to the terms and conditions of this Agreement or any other agreement with Us, We may immediately terminate Your rights to any unpaid vested commissions.
- 12. Indebtedness.** Any indebtedness or debt of Yours or Your Producers to Us shall be a first lien against any monies payable hereunder or from any other source and may be deducted from such monies at any time. This provision survives termination of this Agreement. All such indebtedness shall be payable on demand with any applicable collection costs and interest thereon and thereafter at the then current prime rate plus 5%. Your Producers include all individuals or entities that generate commissions for you.

Limits Of Authority, Termination and Other Provisions

- 13. Limits of Authority.** You agree that this Agreement does not give You the authority to:
- Make, alter or discharge a contract for Us, set special rates, waive policy provisions, guarantee dividends, bind Us in any way, make any endorsement to any policy We have issued or extend the time for payment of premiums.
 - Publish or distribute advertising relating to Us and Our products unless it has been approved in writing by Us in advance.
 - Assign or transfer any right or interest in this Agreement without obtaining Our written consent in advance.
 - Waive a complete answer to any question in the application, pass on insurability or accept any underwriting information on Our behalf unless it is specifically entered in Our application forms.
 - Solicit applications in any state or for any products for which You are not duly licensed and appointed.
 - Collect the initial premium or deliver any policy not paid for unless the named Insured is at the time of delivery in good health and insurable condition.
- 14. Termination.** This Agreement may be ended by either party at any time without cause upon advance written notice to the other party. The notice shall be the greater of ten (10) days or the time required by Your state of domicile. This Agreement shall be terminable for cause immediately by written notice to the other party. Cause includes, but shall not be limited to, misrepresentation by You of any information in this Agreement or failure to comply with Our Company Rules, applicable Laws or Regulations.
- 15. Additional Provisions.** Our failure to insist upon strict performance of any provisions in this Agreement will not be construed as a waiver of such provisions. This Agreement replaces all agreements, written or oral, between You and Us relating to the same or similar subject matter. This Agreement is not binding on You unless signed by You and is not binding on Us unless signed by one of Our authorized officers.
- 16. Governing Law.** This agreement shall be governed by and construed in accordance with the laws of the State of Wisconsin without regard to the choice of law rules of Wisconsin. You hereby submit to the jurisdiction of courts located within the State of Wisconsin and any other state in which a Managing Producer who is financially responsible to Us for Your indebtedness is located.

Producer Data: (Please include a copy of insurance license(s) for all states you wish to do business in)

Managing Producer Producer Please select one or Individual will be chosen: Individual Entity Both

Name _____

Sex Male Female Social Security _____ Date of Birth _____

Agency Name _____

Tax ID # _____

Business Address _____

City _____ State _____ Zip _____

Residence Address _____

City _____ State _____ Zip _____

(Please check the primary phone number you would like to be reached at)

Business Phone (_____) Residence Phone (_____)

Cell Phone (_____) Fax Number (_____)

Email _____

Background: (Please explain, including dates, any "yes" answers on a separate sheet)

Complaint filed against you with an Insurance Department: Yes State? _____ No

Filed Bankruptcy: Yes No Judgment in last seven years: Yes No

Felony conviction or violation of 18 U.S.C. § 1033: Yes No

Been bonded and had a claim against a bond due to your actions: Yes No

Applied for a bond and been refused: Yes No

Had a license refused/suspended/revoked, currently restricted or under investigation: Yes No

Indebted to any Insurance Company/Agency/Manager: Yes No

Direct Deposit: If I am eligible or become eligible for commissions, I request, at no extra cost to myself, that my commissions be automatically deposited to my account at:

Bank Name _____
(Attach a voided check, no direct deposit slips please.)

I would like my commissions deposited: Daily Weekly Bi-Weekly Monthly

Routing # (lower left hand corner of check) _____ Savings OR Checking

Account # (lower middle of check) _____

General Authorization and Release: I hereby authorize National Guardian Life Insurance Company (NGL) to contact any past employer, business associate, business partner, military service, court, law enforcement agency, insurance company, financial institution, or any other person or entity to obtain information about my background, employment, schooling, business activities and experience, character, criminal record, or financial status.

I hereby authorize any of the above persons, institutions, or entities to provide the above information to NGL and waive and release any claims I may have related to the providing of such information. I also authorize them to rely on a photocopy or facsimile copy of this authorization.

I also acknowledge that NGL may participate in programs which provide background and financial information on insurance agents or producers, including debit balances. I authorize NGL to obtain information from these programs and to share any information obtained from other sources with these programs. I also waive and release any claims I may have related to the sharing of such information by NGL or the programs in which NGL participates.

This authorization is continuing and remains in effect until revoked by me in a writing delivered to an officer of NGL.

Signature of Producer: _____ Date _____

(Signature also required on the reverse side.)

Commission Schedule(s), if any, of Producer: _____

Acknowledged by Managing Producer: _____ Date _____

Managing Producer Code # _____

Accepted by NGL: _____ Agreement Accepted: _____

Fair Credit Reporting Act Consumer Disclosure:

Obtaining a “Consumer Report” National Guardian Life Insurance Company (NGL), when making a decision to offer You a producer Agreement or to continue an Agreement, may obtain and use a “consumer report” from a “consumer reporting agency.” These terms are defined in the Fair Credit Reporting Act as amended, 15 U.S.C. § 1681 et seq. (“FCRA”).

A “consumer reporting agency” is defined in the FCRA as a person or business that, for monetary fees, dues, or on a cooperative nonprofit basis, regularly engages in whole or in part in the practice of assembling or evaluating consumer credit information or other information on consumers for the purpose of furnishing consumer reports to others.

A “consumer report” is defined by FCRA as including any written, oral or other communication of any information by a “consumer reporting agency” bearing on a consumer’s credit worthiness, credit standing, credit capacity, character, general reputation, personal characteristics, or mode of living, which is used or expected to be used or collected in whole or in part for the purpose of serving as a factor in employment-related decisions affecting a consumer.

As an individual with an interest in a relationship as a producer with NGL, You are a “consumer” with rights under the FCRA. If NGL obtains a “consumer report” about You and if NGL considers any information in the consumer report when making a decision that adversely affects You, You will be provided with a copy of the “consumer report” before the decision becomes final. You may also contact the Federal Trade Commission about Your rights under the FCRA.

Authorization to Obtain Consumer Reports:

Further, by signing below, I hereby voluntarily authorize NGL to obtain “consumer reports” about me from a “consumer reporting agency,” as those terms are defined in the Fair Credit Reporting Act as amended, 15 U.S.C. § 1681 et seq., and to consider the “consumer reports” when making decisions for any producer status purpose with NGL. I understand that I have rights under the Fair Credit Reporting Act, including the rights discussed in the separate disclosure statement provided to me.

I hereby authorize NGL to obtain such reports. I also hereby acknowledge receipt of the Fair Credit Reporting Act Consumer Disclosure.

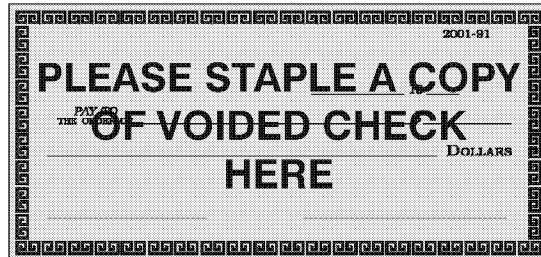
Signature of Producer: _____ Date: _____

**Home Office
NGL Insurance Group
2 East Gilman Street
P. O. Box 1191
Madison, WI 53701-1191
800.988.0826**



Direct Deposit Enrollment Form

National Guardian Life Insurance Company • Settlers Life Insurance Company • PO Box 1191 • Madison WI 53701-1191
Phone 800.988.0826 • Fax 608.443.5042 • www.nglic.com



I request, at no extra cost to myself, that my commissions be automatically deposited to my account at:

Financial Institution (Bank Name): _____

Routing #: _____ (lower left corner of check)

Bank Account #: _____ (lower middle of check)

Savings **or** Checking

I would like my commissions deposited: Daily Weekly Bi-Weekly Monthly

Full Name (Please Print): _____

Signature: _____

Producer #: _____ Date: _____

Note: Please double-check accuracy of your Routing and Account numbers, so there are no delays in receiving your funds.

Please fax using the original or return the original by mail as soon as possible.

FAX: (608) 443-5042



Annualization Plan Supplemental Agreement

National Guardian Life Insurance Company • Settlers Life Insurance Company • PO Box 1191 • Madison WI 53701-1191
Phone 800.988.0826 • Fax 608.443.5042 • www.nglic.com

This Supplemental Agreement supplements Your producer agreement (referred to as the Agreement) with the undersigned, selected Company(ies). It is intended to provide You with an advance payment of a portion of first year commissions due on business written by You or Your producers.

Plan Provisions:

1. Commissions paid under this Supplemental Agreement are an advance of commission from Us to You. Such commissions are considered unearned and an Indebtness under the terms of Your Agreement with Us until sufficient premiums are paid on a policy to justify the commissions advanced.
2. While this Supplemental Agreement is in effect, We will pay You advanced commissions equal to 50% of the first year commission due on the annualized premium, subject to a maximum advance payment of \$10,000 per policy. Once the advanced commissions have been earned, the balance of the commissions due on the policy will be paid as earned, provided the policy remains active. Excess and renewal commissions and service fees will not be advanced.
3. Policies issued on a monthly direct premium mode, policies issued with a money order for the first premium, policies which have been reinstated, or policies on You, Your spouse, Your parents, children, brothers, sisters, business associates or employees are not eligible for annualization under this Supplemental Agreement.
4. We reserve the right to change the advance commission percentage or to declare any policy not eligible for annualization upon notice to You.

Termination Provision:

1. Continued eligibility for this plan is at Our sole discretion. This Supplemental Agreement may be terminated by You, Your Managing Producer or Us at any time. This Supplemental Agreement shall automatically terminate upon the termination of Your Agreement with Us.
2. Upon termination of Your Agreement, any advanced commissions which have not yet been earned will be treated as an Indebtedness under the terms of Your Agreement with Us. This provision survives the termination of this Supplemental Agreement.

Signature of Producer: _____ Date: _____

As Managing Producer for the above Producer, I agree to assume any indebtedness that may result from this Supplemental Agreement and that such indebtedness will be considered an Indebtedness under the terms of my producer agreement with the Company(ies).

Signature of Managing Producer: _____ Date: _____

Signature of Authorized Officer: _____ Date: _____

Effective On: _____



Assignment of Commissions

National Guardian Life Insurance Company • Settlers Life Insurance Company • PO Box 1191 • Madison WI 53701-1191
Phone 800.988.0826 • Fax 608.443.5042 • www.nglic.com

1. _____ (referred to as Assignor), for value received, the receipt of which is hereby acknowledged, does assign to _____ (referred to as Assignee), all right title and interest in all commission income due and payable hereafter to Assignor from the Company(ies) selected below (referred to as the Company) on business written by Assignor while employed by or holding a commission contract with the Assignee. This assignment of commissions does not include compensation obtained through any special contests, incentives, bonuses or awards which may be offered by the Company.
2. Assignor further directs the Company to report to Assignee all commission income hereby assigned, and acknowledges that the Company has made no representations as to the tax treatment of such assigned commissions.
3. This assignment is subject to the right of the Company to offset against any such commission payable any indebtedness of the Assignor to the Company existing or hereafter incurred.
4. This assignment shall continue in effect until such time as no further commissions are due and payable to Assignor from the Company on the subject business, or until the Company receives written notice from the Assignee that this assignment has been terminated.

Signature of Assignor: _____ Date: _____

Signature of Assignee: _____ Date: _____

Please include a copy of Assignee's license(s), unless previously provided.

Assignee's Social Security or Tax ID #: _____

Assignee's Street Address: _____

Assignee's City, State and Zip: _____

Assignee's Phone Number: _____

Direct Deposit: I request, at no extra cost to myself, that my commissions be automatically deposited to my account at:

Bank Name _____
(Attach a voided check, no direct deposit slips please.)

I would like my commissions deposited: Daily Weekly Bi-Weekly Monthly

Routing # (lower left hand corner of check) _____ Savings **OR** Checking

Account # (lower middle of check) _____

NGL Use Only:

Signature of NGL Authorized Officer: _____ Date: _____

Effective On: _____

Anti-Money Laundering Training

*Brought to you by:
National Guardian Life Insurance Company*

Course Objectives

The objective of this training course is to ensure you have the knowledge to detect and prevent money laundering.

After completing this course, you will be able to:

- Protect yourself from involvement in anti-money laundering activities
- Understand how anti-money laundering works
- Recognize the red flags associated with it
- Understand the Know Your Customer requirements and how they apply to the insurance business

Overview

The USA Patriot Act (the “Act”) was enacted by the U.S. Congress and signed into law on October 26, 2001. The name of the Act is an acronym for Uniting and Strengthening America (“USA”) by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (“PATRIOT”). This broad-sweeping legislation is intended to aid in the war against terrorism.

The Act does the following things:

- Strengthens U.S. anti- money laundering laws;
- Enhances criminal and civil penalties for violations;
- Grants new powers and surveillance capabilities to law enforcement agencies.

Anti-money laundering laws in the United States are enforced primarily by the Federal Reserve Board and the Treasury Department. The Treasury Department’s enforcement is through an internal office known as the Financial Crimes Enforcement Network (FinCen). Its mandate is to fight money laundering and financial crimes.

NGL supports the intent and spirit of the USA Patriot Act and in particular its anti-money laundering and anti-terrorism initiatives. All NGL employees and agents are encouraged and expected to attain an appropriate level of familiarity with:

- The USA Patriot Act and its provisions addressing anti- money laundering and the reporting of suspicious activities
- An understanding of the procedures adopted by NGL to assure compliance with the Act
- An appropriate level of expertise to accomplish the purpose of our procedures and the Act’s intent.

Lesson One: What is Anti-Money Laundering?

Money Laundering

The criminal practice of filtering illegally obtained money through a series of transactions to “clean” the funds so that they appear to be proceeds from legitimate activities.

Although this practice is typically tied to cash, any financial transaction may be a part of a process to filter the money. Non-cash transactions often play a significant role in money-laundering activities.

The Three Stages of Money Laundering

Money laundering typically follows three stages (also known as mechanics):

1. Placement
2. Layering
3. Integration

* These three stages can occur individually or simultaneously.*

Stage One: Placement

Placement is the first stage of money laundering by which money from criminal activity is placed in a financial institution. A common method of placement is Structuring, which is breaking up currency transactions into portions that fall below a reporting threshold in an effort to avoid reporting or record keeping requirements.

Example: A client deposits \$50,000 cash via several transactions of \$10,000 or less into a money market account.

Stage Two: Layering

Layering is the process of conducting a complex series of financial transactions, with the purpose of hiding the origin of money from criminal activity and hindering any attempt to trace the funds. This stage can consist of multiple securities trades, purchases of financial products including life insurance or annuities, cash transfers, currency exchanges, or purchases of legitimate businesses.

Example: The client now has \$50,000 in a money market account. First he writes a check for \$20,000 in order to purchase a whole life insurance policy. Secondly he writes a check for the remaining \$30,000 to be deposited into an annuity with another carrier.

Stage Three: Integration

The final stage is Integration in which legitimate transactions are used to return the now-laundered funds back to the criminal.

Example: The client cancels the insurance transactions during the free-look period and accepts returned funds, minus any appropriate surrender charges and fees.

Ramifications and Penalties of Money Laundering

- Fines can be up to twice the amount of the transaction, up to \$1 million.
- Any property involved in the transactions may be subject to seizure
- Employees of financial institutions can be fined individually and sentenced up to 20 years incarceration for knowing or being willfully blind to the fact that the transaction involved illegal funds.
- To avoid potential charges always report any suspicious behavior to NGL's Compliance Officer and keep documentation of those reports.
- Anyone who does not comply with NGL's policies and procedures is subject to disciplinary action up to and including termination of appointment or employment and will be reported to the proper legal authorities.

Lesson Two: Know Your Customer

Lesson Overview

This section will identify the Know Your Customer procedures used to collect required information about our customers.

NGL agents and employees are in direct contact with customers and are often in a critical position of knowledge as to the source of investment assets, the nature of the clients, and the objectives for which the insurance products are being purchased. These individuals and entities have an important role to play in assisting NGL in the prevention of money laundering and in the identification of suspicious transactions.

Following these procedures will help decrease the chance that NGL will be used to facilitate money laundering activities. It will also help you understand your customer's financial goals.

Develop a Customer Profile

Developing a customer profile provides the ability to:

- Identify appropriate transactions
- Determine whether a pattern exists which is inconsistent with a customer's goals and business
- Determine which activities may require further investigation

Under the Know Your Customer requirements you must make reasonable efforts to:

- Collect identifying information about the customer,
- Verify the information, and
- Learn enough about the customer's financial picture and goals to determine whether a transaction makes sense for that customer.

Why You Need to Know Your Customer

The financial information that you need to gather for Know Your Customer purposes is information you would normally collect as part of a needs analysis. The more you know the better you can service your customers.

The majority of clients are not involved in money laundering activities, so it is important to be able to distinguish routine from suspicious transactions.

Verifying an Individual's Identity

There are four primary pieces of information needed to verify a customer's identity (there may be additional information needed based on a company's requirements):

- Name
- Address
- Date of Birth
- Social Security or Tax Identification Number

Acceptable Identification

The easiest way to verify an individual's identity is through a government issued identification card such as:

- Driver's license
- U.S. passport
- U.S. Military card
- State photo ID card
- Resident alien ID card (green card)
- Foreign government ID card (resident or non-resident aliens)

Verifying Customer Identity

The USA Patriot Act requires that the customer be notified that the carrier must verify the identity of the owner of any policy or account. This can be accomplished by filling out a USA Patriot Act Notification and Customer Identification Verification form and having it placed in the client's file.

While you will not be required to make a photocopy of the ID card, you should physically look at it and copy down the identification number on the card. You should also confirm that the information on the card is consistent with other information you have about the customer's identity.

There may be times when physically seeing an individual's identification is not possible, such as when you are doing business via telephone, through the mail or online. NGL will determine when non-documentary methods should be used and will typically conduct the verification. This may include:

- Comparing the information included on an application or service request form against a third party resource such as Accurint or a fraud detection service
- Contacting the customer to verify information given
- Checking other financial institutions

There may be instances in which additional review is necessary by a carrier before a policy can be issued or an account opened.

Official Resources

There are two agencies who are involved in specialized due diligence and enhanced scrutiny over certain individuals:

Office of Foreign Assets Control (OFAC)

This group maintains a list of specially designated nationals and blocked persons (SDNs). These individuals are deemed to be a threat to national security. Financial institutions are typically prohibited from conducting transactions with target countries, their nationals and SDNs. NGL has procedures in place to check customers against the OFAC list. Based on the findings you may be asked to obtain additional information in order to properly identify an individual and prevent any false-positive reporting.

Financial Action Task Force (FATF)

This group maintains a list and conducts a periodic review of non-cooperative countries. These countries have serious deficiencies in their anti-money laundering rules and regulations which may attract money laundering activities. Financial institutions can do business in these countries but must exercise enhanced due diligence.

Record Retention

Regulations require that information related to customer identification be:

- Kept for a minimum of five years, and
- Be reasonably accessible to regulators

Be sure to file any customer information you obtain in your client's file along with any information you have provided to NGL. Always remember that your responsibility does not end at the point of sale. Report any suspicious requests or interactions from the customer to NGL for further review.

Again, knowing your customer is the most important deterrent to money laundering.

Lesson Three: Suspicious Activity and Red Flags

What constitutes a suspicious activity?

This will depend on your clients and the normal course of their business. If anything seems out of line or suspicious it is worth further review. Things to look for include:

- Payments to or from unknown third parties
- A drastic change in business patterns
- High number of cash or currency transactions
- Incomplete information provided with no level of detail
- Requests for early termination of insurance policies without concern over surrender charges or penalties.

Reporting Illegal Activities

Whenever you suspect or know that a transaction involves funds related to illegal activity you must report the transaction to NGL's Compliance Officer.

As part of this process you must NOT notify the client that their business activities have been or may be reported as suspicious, are under investigation, or that a Suspicious Activity Report (SAR) has been filed.

Notification of the client is prohibited by federal statute.

Red Flags

The following is a listing of potential red flags in various situations:

New Accounts:

- Application for a policy in a distant place even though the client could get a comparable policy closer to home.
- Application for coverage is outside the client's normal pattern of purchases.
- Client unwilling to provide identity verification documentation
- Applicant reluctant to provide normal personal information
- Applicant uses a mailing address outside of regulator's authority
- Applicant's telephone number found to be disconnected when attempting to verify information

Transactional Red Flags

- Any transaction involving an undisclosed third party
- Requests for a large purchase of a lump-sum contract where the policyholder's experience is typically regular payment, small face amount contracts, unless there are appropriate reasons.
- Applicant for insurance business attempts to use cash to complete a proposed transaction when this type of business transaction would normally be handled by checks or other payment instruments.
- Applicant for insurance business requests to make a lump- sum payment by a wire transfer or with foreign currency.
- Applicant for insurance business establishes a large insurance policy, and within a short time period cancels the policy and requests the cash value returned, payable to a third party.
- Applicant for insurance business wants to borrow the maximum cash value of a single premium policy, soon after paying for the policy.

Other Red Flags

- Transfers of the benefit of a product to an apparently unrelated third party
- Multiple changes of address or changes of owners to foreign countries
- Attempts to use a third party check to make a proposed purchase of a policy.
- Applicants with no concern for the performance of the policy but much concern for the early cancellation.
- Applicants who buy policies from several institutions in a short time frame.
- Applicants purchasing policies in amounts considered beyond the client's apparent means or needs.
- Large overpayments of premiums.
- Unusually great concern with the insurer's or your own compliance with reporting requirements.

Business Areas

The Treasury Department has identified certain types of businesses that lend themselves to money laundering and warrant increased scrutiny. The following are examples of the types of businesses which should raise red flags for potential involvement in money- laundering activities:

- Casinos and other gambling establishments
- Offshore corporations and banks or businesses located in high-risk foreign countries
- Travel agencies
- Used automobile dealers and machine parts manufacturers
- Import/export companies
- Jewel, gem and precious metal dealers
- Pawnbrokers and deposit brokers
- Check-cashing facilities
- Money transmitters
- Currency exchange houses

Money Laundering Through the Insurance Industry

The information below demonstrates how individuals launder funds through the insurance industry based on the type of products used. This may include:

- Permanent Life Insurance
- Variable Annuities
- Overpayment of Premiums
- Wires

Permanent Life Insurance

This type of insurance is attractive to a criminal, as this type of product builds cash value which is available as a withdrawal or loan.

For example, a client purchases a large single premium policy and then cancels the policy. The fees and penalties are worth the price compared to the amount of funds they are able to access. A money launderer expects to lose a small percentage of their funds in this process.

Variable Annuities

An individual wishing to launder funds may purchase a variable annuity and then cancel the contract during the free-look period. This way they have managed to receive a check from a legitimate source without paying any fees or penalties.

An individual may also withdraw money from an annuity regardless of any fees or penalties which are considered part of the process.

Overpayment of Premiums

A money launderer may arrange for insurance coverage of his or her legitimate business then repeatedly over pay the premiums. They then call the carrier and claim to have accidentally overpaid and request a refund of the overage. The result is that they have a check from a reputable source.

Wires

While not a common method of funding an insurance policy, criminals may launder illegal funds through excessive numbers of transfers for high dollar amounts.

Compliance Officers Contact Information

Primary Contacts

Mathew Dew, Senior Compliance Officer	608-443-5219 mjdew@gnlic.com
Michael Lowe, Senior Compliance Officer	276-645-4303 mlowe@settlerslife.com

Additional Contacts

Jerie Olson	608-443-5244 jaolson@nglic.com
Carolyn Arnold	276-645-4313 carnold@settlerslife.com



National Guardian[®] Life Insurance Company

All life insurers who offer individual life insurance policies, which include NGL's products, must maintain an anti-money laundering program and ensure that our agents have received the appropriate training.

To comply with this federal requirement, NGL provides training for all licensed and actively appointed producers in the states of AK, CT, FL, KY, MA, MD, ME, MI, MN, MT, NC, NH, NJ, OH, OK, OR, SD, TX, UT, VT.

Self-Certification

Agent Name: _____

Address: _____

City: _____ State: _____ Zip: _____

Agent Number: _____

I certify that I have read and understand NGL's course entitled Anti-Money Laundering Training and are knowledgeable about my obligations under the regulation. I acknowledge that my failure to follow the guidelines set out in the training may ultimately result in the termination of my contract and appointment with National Guardian Life Insurance Company.

Agent Signature

Date

Please sign, date and return this form with your completed contracting paperwork to:

National Guardian Life Insurance Company

Fax: (608) 443-5042

Email: contracting@nglic.com

Mail: PO Box 1191; Madison, WI 53701