

January 22, 2013



Non-Resident Sales of Life Insurance and Annuities

Aviva wants to make sure that all of its agents understand rules and regulations that pertain to non-resident sales of life insurance and annuities. A “non-resident sale” (sometimes referred to as a “cross-border sale”) occurs whenever a customer buys a life insurance policy or an annuity contract outside his/her state of residence.

A substantial part of the mission of state insurance departments is to protect their citizens from purchasing products that have not been approved in their respective states as well as making sure that only agents and companies properly licensed in their respective states are doing business with residents of their states.

More than ever, state insurance departments are examining transactions in which residents of their states are being sold insurance products outside their jurisdiction. The repercussions for agents and insurance companies can be severe – fines, penalties, remediation, suspension of agent license or certificate of authority.

With our very mobile society, it’s quite likely that you will experience situations in which there is an opportunity to sell a life insurance policy or annuity contract to an individual who is not a resident of the state in which you are located or conducting business. If the solicitation for the sale of an insurance product takes place in a state that is not the state of residence of the applicant/owner, you must comply with the following guidelines and requirements:

- Provide accurate and complete disclosure to Aviva of the location of solicitation, application and delivery
- **Complete the Non-Resident Information Sheet (Form 16257)**
- Describe the nexus between the applicant/owner and the non-resident state in which the sale occurs
- Provide evidence that the applicant/owner is in the non-resident state for reasons other than merely to purchase a product *at the time of application*
- **The solicitation, the application, the premium collection and policy delivery must occur in the same state**

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Compliance Update



When completing the Non-Resident Information Sheet, keep in mind the following points in establishing a sufficient nexus between an applicant/owner and the non-resident state in which the solicitation takes place:

- A second home in the non-resident state is generally an acceptable reason for the location of the sale
- A business owned by the customer in the non-resident state is generally an acceptable reason for the location of the sale
- Employment in the non-resident state is generally an acceptable reason for the location of the sale
- Regular business dealings in the non-resident state may be an acceptable reason depending on the type and regularity of the contacts
- Former residence in the non-resident state, with regular visits to that state to family/friends, may be an acceptable reason for the location of the sale

It is important to keep in mind that, even in cases in which the Non-resident Information Sheet is completed and an explanation for the non-resident sale is provided, Aviva reserves the right to decline applications based on other information or circumstances known to the Company.

NOTE: It is important that you understand that some states prohibit cross border sales to residents of their states in general. From Aviva's current interpretation of applicable state regulations and bulletins, it appears that the following states do not permit sales of insurance products to their residents outside their state of residence, regardless of the circumstances of the case or the connection to the non-resident state:

Arkansas	Massachusetts
Minnesota	Utah

State insurance departments will not tolerate agents who deliberately bend the rules in the course of selling products to citizens outside their state of residence.

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Compliance Update



Correspondingly, it is quite likely that many Aviva producers sell products in jurisdictions outside of their own state of residence. In order to do so, an agent must maintain the appropriate non-resident license(s) and only sell products approved in the non-resident states while conducting business in those states. In addition, agents must be familiar and comply with all rules & regulations in each state for which a non-resident license is held.

The following are some reminders that summarize the rules around non-resident sales:

- Do not act as agent in states in which you are not licensed
- Do not sell products in states where they are not approved
- Do not invite potential prospects from one state to a seminar in another state due to product unavailability in prospects' state of residence
- Do not advise a prospect who is a resident of one state to travel to another state due to product availability
- Do not submit an application indicating application was signed in a state which, in fact, it was not completed and signed
- Do not act as a "surrogate" for another agent who is not properly licensed in the state in which the solicitation occurs

The rules surrounding non-resident sales can be challenging and there are a number of situations – especially in cases where the applicant/owner and the proposed insured or annuitant are different persons.

It may be difficult to tell:

- (1) where the solicitation took place
- (2) which state's rules should apply and
- (3) which state's forms should be used.

If you have questions about how to proceed in such cases, please contact the Aviva Compliance Department to discuss the case.

