

**AGENT
COMPLIANCE
MANUAL**



CATHOLIC  LIFE INSURANCE

INTRODUCTION

Insurance coverage in our society has always been an important element in family protection. More recently, it is being seen as a necessity, and for that reason. The insurance industry is under increasing scrutiny. Government regulatory agencies in conjunction with the courts impose a duty and a responsibility on agents and insurers to conduct their business in accordance with current rules and laws. We must comply with these obligations. Failure to do so may result in fines, penalties, agent investigations, market conduct examinations, litigation, punitive damages and revocation or suspension of license to do business.

Catholic Life Insurance (CLI) feels that customer satisfaction is of utmost importance. Providing excellent customer service and following ethical sales practices will reduce consumer and Department of Insurance complaints, cancellations and rejections, and eliminate fines and litigation. You and CLI can maintain a reputable industry standing only by satisfying the customer and strictly following state and federal requirements as well as the guidelines provided to you by CLI.

The purpose of this Compliance Manual (the Manual) is to apprise you, the agent of your responsibilities and insure that you are fully able to comply with the law. This compliance manual is provided as an educational and training device to assist you, the agent in proper marketing and solicitation procedures. CLI will update this manual periodically as necessary.

Updated material will take the form of Memorandums from the Compliance Department. Catholic Life Insurance's Compliance Department will distribute this updated material to you when applicable. The updated material should then be incorporated into your Compliance Manual copy. Once distributed, each Compliance Department update attaches to and becomes a part of the Compliance Manual.

INDEX

A STATEMENT OF ETHICS	SECTION 1
LICENSING	SECTION 2
ADVERTISING	SECTION 3
SOLICITATION	SECTION 4
REPLACEMENT REQUIREMENTS	SECTION 5
CLAIMS	SECTION 6
COMPLAINT HANDLING PROCEDURE	SECTION 7
MARTETING DEPARTMENT MEMORANDUMS AND/OR BULLETINS	SECTION 8
DISCIPLINARY ACTION	SECTION 9
ADDITIONAL REQUIREMENTS	SECTION 10
COMPLIANCE MANUAL ACKNOWLEDGEMENT	FINAL PAGE

SECTION 1.

A STATEMENT OF ETHICS

The policy of CLI has always been to adhere to the highest standards of ethical conduct. This is not only a moral obligation of our agents, officers and members of the Board of Directors, but it also contributes to our success in the performance of our business.

It will be the policy of CLI to adhere to the NAIFA Code of Ethics as Adopted April, 1986, by the NAIFA Board of Trustees:

PREAMBLE: Those engaged in life underwriting occupy the unique position of liaison between the purchasers and the suppliers of life and health insurance and closely related financial products. Inherent in this role is the combination of professional duty to the client and to the company, as well. Ethical balance is required to avoid any conflict between these two obligations. Therefore,

I Believe It To Be My Responsibility

To protect my client's personal, and private information, both medical, and financial.

To hold my profession in high esteem and strive to enhance its prestige.

To fulfill the needs of my clients to the best of my ability.

To maintain my clients' confidences.

To render exemplary service to my clients and their beneficiaries.

To adhere to professional standards of conduct in helping my clients to protect insurable obligations and attain their financial security objectives.

To present accurately and honestly all facts essential to my client's decision.

To perfect my skills and increase my knowledge through continuing education.

To conduct my business in such a way that my example might help raise the professional standards of life underwriting.

To keep informed with respect to applicable laws and regulations and to observe them in the practice of my profession.

To cooperate with others whose services are constructively related to meeting the needs of my clients.

A STATEMENT OF PRINCIPLE

This basic principle of product design carries over to the way we expect our products to be marketed. Specifically, we expect agents to sell our products to their clients with the same care and concern that they would use in selling those products to their family and friends.

Following this simple guideline goes a long way towards doing what is right and towards establishing a level of commitment, confidence and trust.

Following this guideline involves meeting all requirements of the law and regulations relative to sales practices, advertising, solicitations and replacement sales. We work hard to maintain compliance in the home office and field.

This guideline involves understanding the individual client's needs and selling products that address those needs.

This guideline involves maintaining our insured's trust over the long term with service after the sale and building their confidence in the company and the agent.

These are the principles we practice every day and will work to maintain in the years to come. Working together, we must have a mutual commitment to our clients and to satisfying their insurance needs that can be met by our products.

SECTION 2. LICENSING

The law requires you to have a valid state license to sell insurance products. In order to obtain a license, you must satisfy the state licensing requirements.

In addition, you must be appointed by Catholic Life Insurance before you may represent CLI in the sale of any of its products.

CLI may not legally pay you commissions if you do not hold a current valid state license (resident or nonresident license) and an appointment to sell the products of CLI.

It is your responsibility to insure that continuing education requirements are met in your state and that your licenses are renewed in a timely manner.

SECTION 3.

ADVERTISING

Any advertisement, as defined below, including recruiting advertisements, must be submitted to and approved by the home office Compliance Department prior to the advertisement being printed or used. The Compliance Department Will review the specific advertising regulations for a particular state in order to assure compliance and to avoid penalties resulting from the improper use of an advertising piece. Advertising materials submitted to the Compliance Department will be reviewed within five (5) working days of receipt. The compliance officer who reviews the submitted advertising will work with you so that it can be approved in a timely manner. After making changes to the advertising piece, which may have been suggested by the Compliance Department, the advertisement must be submitted in its final format to the Compliance Department. A copy of the advertising material will be returned to the agent wishing to use the advertisement with an approval from the Compliance Department. The original final approved version of every advertisement will be maintained in the Compliance Department in accordance with state laws. There are certain states and products where an advertisement is required to be filed and approved by the Department of Insurance prior to its use. The Home Office is responsible for filing

and obtaining approval of all such advertisements. Where required, no advertisement may be used until state approval has been obtained.

A. Definition of Advertisement:

The term advertisement means material designed to create public interest in insurance products or an insurer, or to induce the public to purchase, increase, modify, reinstate, or retain a certificate. The definition of advertisement includes:

1. Printed and published material, audio visual Material, and descriptive literature of an insurer used in direct mail, newspapers, magazines, radio scripts, television scripts, billboards and similar displays; and
2. Descriptive literature and sales aids of all kinds issued by an insurer, agent, producer, broker or solicitor for presentation to members of the insurance-buying public, and including but not limited to circulars, leaflets, booklets, depictions, illustrations, form letters and lead-generating devices of all kinds; and
3. Prepared materials for use by agents, brokers, producers and solicitors whether prepared by the insurer or the agent, broker, producer or solicitor; and

A. Definition of Advertisement

4. Material used for the recruitment, training and education of an insurer's sales personnel, agents, solicitors, and brokers which is designed to be used or is used to induce the public to purchase, increase, modify, reinstate or retain a certificate; and
5. Material included with a certificate when a certificate is delivered and material used in the solicitation of renewal and reinstatements.

B. Three Categories of Advertisements:

These are three categories of advertisements, and each category contains certain requirements in varying degrees. They are as follows:

1. "Institutional Advertisement" means an advertisement having as its sole purpose the promotion of the readers, viewers, or listener's interest in the concept of life or accident and sickness insurance, or the promotion of the insurer as a seller of life Or accident and sickness insurance.
Examples: Any form of advertisement that promotes only the name and/or financial standing of an insurance company or agency.
2. "Invitation to Inquire" means an advertisement having as its objective the creation of a desire to inquire further about insurance and which is limited to a brief description of coverage
Examples: Flyers with Company's or Agency's phone number and/or address, anything with a response card, lead generating devices, audio and/or visual advertisements giving the Company's or Agency's phone number and/or address.
3. "Invitation to Contract" means material used to induce the public to purchase, increase, modify, reinstate, or retain a certificate. It gives detailed information regarding the certificate rather than just a brief description as seen in the "Invitation to Inquire." This category has the strictest requirements. It is the responsibility of Catholic Life Insurance to create this type of advertising and provide it to the field.
Examples: Brochures, sales kits, etc.

B. Three Categories of Advertisements:

Again, it is the home office Compliance Department's responsibility to be aware of each state's advertising requirements and to insure the proper compliance with these requirements.

Therefore, all advertising material must be submitted to and approved by the Compliance Department prior to its printing or use.

C. Recruiting Advertisements:

Recruiting advertisements include anything in a newspaper, magazine, newsletter, etc. advertising a position with a company. Also such advertisements must be submitted to and approved by the home office Compliance Department prior to its use.

D. Testimonials/Claim Vouchers:

Testimonials must be genuine, represent the current opinion of the author, be applicable to the certificate being solicited and/or advertised. They must be accurately reproduced and be no more than one year old.

Testimonials and/or Claim Checks can be used in the presentation and in advertising as long as state regulatory requirements have been met and they have the home office Compliance Department's prior approval in the form of a signed release statement that has the Compliance Departments approval.

SECTION 4.

SOLICITATION

A. Training:

All material used for training purposes must be approved by the home office Compliance Department prior to its use. Training materials include, but are not limited to, videotapes, brochures, "product information" sheets, sales kits and all printed training materials.

B. Presentations:

Once you have obtained the appropriate state license, and have been properly appointed by CLI, you will be ready to present CLI product information.

1. Before you present CLI's products, you must first identify yourself as an insurance agent giving your full name and the full name of Catholic Life Insurance.
2. When making the sales presentation, you must conduct yourself in an ethical manner so as to not violate your state's **Unfair Trade Practices Act**. This Act's restrictions include, but are not limited to, the following:

- a. Both Life and Accident and Health Sales:
 - You cannot make any misrepresentative, misleading, false or deceptive statements.
 - You cannot use words or phrases which exaggerate any benefits or limitations, exceptions or reductions of benefits.
 - You cannot describe any certificate provision or benefit without fairly and accurately describing all limitations, exceptions or reductions of benefits.
 - You cannot use words or phrases which could cause the applicant to believe that a profit might be made from being hospitalized.
 - You cannot use any insurance words, phrases or other terminology, which might not be clearly understood by the applicant.

a. Both Life and Accident and Health Sales:
(continued)

- You cannot make any unfair or incomplete comparison of other insurers, their policies, benefits, agents, services, method of marketing or compare unlike policies.
- You cannot recommend for sale, or sell insurance to a Medicaid beneficiary.
- You cannot make an impression to prospective insureds that the insurance product is endorsed, or accredited by any division or agency of the state or federal government.
- You cannot represent that the insurance product is an introductory, initial or special offer, or that the applicants will receive substantial advantages given only to a specified group of individuals, unless such is a fact.
- You are prohibited from making any statement or implication to the effect that only a specific number of certificates will be sold or that it will be sold for a limited time period.
- You must disclose to the potential insured that the advertising or other

device you are using is designed to produce leads, if that is the fact. In addition, when you establish contact with a person as a result of acquiring that person's name from a lead-generating device, you shall also disclose that fact in the initial contact with the person.

- You cannot use the existence of any state's Guaranty Association for the purpose of inducing the purchase of Insurance.

b. Specific to Life Sales:

- You cannot knowingly lead applicants to believe they will receive something other than life insurance. You must always identify the product as "**life insurance**." You cannot specifically refer to the product as a retirement plan.
- You cannot identify yourself as an estate planner, financial planner, investment advisor or financial consultant, unless you are so designated.

b. Specific to Life Insurance Sales:
(continued)

- **You cannot fail to explain that life insurance cost indexes are useful only for the comparison of the cost of two or more similar certificates/policies.**
- You cannot present benefits showing guaranteed and nonguaranteed benefits as a single sum unless they are also separately stated in the same area of the presentation.
- You cannot compare life insurance policies or cash values to **savings, savings accounts, stocks, bonds or any other financial instrument or investment** in such a way as may mislead a person as to the true nature of life insurance, surrender values, or other certificate benefits.
- An agent cannot use terms such as "**deposit**", "**deposit premium**", "**investment**", or other such misleading or confusing terms when referring to amounts which are in fact premiums for life insurance coverage.

C. Suitability:

1. You must ask the appropriate questions, from the applicant, to determine whether the sale of an insurance certificate is suitable.
2. The suitability of a recommended purchase is determined by the totality of the customer's circumstances, including, but not limited to the applicant's income, the applicant's need for insurance, and the values, benefits and costs of the applicant's existing insurance program when compared to the values, benefits, and costs of the recommended certificate. Determining suitability of a recommended sale is always vital, but it is especially so when dealing with the elderly.

D. Application:

The application is a part of the insurance contract. The issuance of the certificate is affected by the answers to the questions on the application. If the answers are incorrect, incomplete, or untrue, Catholic Life Insurance has the right to deny benefits or rescind coverage. Therefore, it is important that the application be filled out completely and accurately.

1. An application can only be filled out in the presence of the applicant, using the information the applicant provides.

D. Application: (continued)

2. All required signatures must be present on the application and the signatures must be at the appropriate location. You must witness the applicant's signature when required by CLI's underwriting requirements.
3. Any change made on the application must be initialed **by the applicant** at the time the application is taken. "Whiteouts or similar alterations" are not acceptable and will result in a delay in processing the application. In addition, the agent may have to obtain the ratification of any change to the application when the certificate is delivered.
4. Processing of the application will be delayed or "rejected" if there are questions left unanswered or if all required documents are not submitted with the application. "Rejected" means that the application will not be processed and the premium will be immediately returned to the applicant. The agent will then need to resubmit the application to Catholic Life Insurance with the completed information and/or required documents.

5. Where a conditional receipt is required, you must fully explain the terms of the conditional receipt prior to leaving it with the applicant.

- E. Forms/notices given to the applicant at the time of application (when required by law): The following information serves only to identify common items usually given to the proposed insureds at the time of application. Often the language and format of the form or notice varies from state to state. It is, therefore, important for you to consult with the home office if in doubt about those forms and notices required in your state.

1. Accident and Health Sales:

a. Outline of Coverage

An Outline of Coverage will be delivered with the certificate where applicable. Some states require an Outline of Coverage to be provided to the applicant at the time of application.

2. Life Insurance/Health Sales:

a. Sales Illustrations -

You must use a sales illustration generated from the home office or a sales illustration generated from the personal computer software distributed by the home office. A copy of the sales illustration must be left with the applicant.

b. Life Insurance Buyers Guide -

This guide will be delivered with the certificate, but you must provide it prior to delivery if so requested by the applicant. Some states require these guides to be provided no later than upon delivery of the certificate.

c. Statement of Certificate Costs and Benefits Information -

This will be delivered with the certificate, but you must provide it prior to delivery if so requested by the applicant.

d. Replacement Notice -

If it is determined that replacement of life insurance is involved, the applicant and you the agent must complete, sign and date the appropriate form as required by the state in which the certificate is sold. You must leave a copy of the completed replacement notice with the applicant where necessary.

SECTION 5.

REPLACEMENT REQUIREMENTS

Replacement means that an existing life or annuity certificate will be surrendered, lapsed, placed on paid-up basis or borrowed against, placed on extended term insurance (ETI), or otherwise reduced in value in order to purchase the coverage for which the application is being taken.

A. Replacement Disclosure Requirements:

Be sure to answer all relevant questions on the application to determine if replacement is involved. If yes, provide any necessary replacement notices in order to meet the specific state disclosure requirements for your state.

B. Twisting:

Twisting is strictly prohibited in all states.

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

It is prohibited for you to make misleading, derogatory, false or maliciously critical statements about the financial condition of another insurance

company. This includes repeating market rumors or circulating news articles questioning a competitor's solvency or methods of conducting business.

C. Churning:

Churning is the practice of using certificate values in an existing life insurance certificate or annuity certificate, including, but not limited to cash values, loan values, or dividend values; which are utilized to purchase another insurance certificate or annuity certificate with the same insurer for the purpose of earning additional fees, commissions, or other compensation.

CLI does not condone "churning" and we will do everything possible to discourage this business practice from our agents in all states.

D. Catholic Life's Replacement Rules:

You must comply with all CLI's procedures regarding replacement.

SECTION 6.

Claims

In order for Catholic Life Insurance to comply with the requirements of the **Unfair Claims Settlement Practices Act**, which all states have adopted in some form, you are required to follow certain procedures so that the home office can process claims in an efficient, timely and compliant manner.

A. Definitions

1. "Notification of Claim" - means a notice, written or verbal, given to you or CLI by the insured showing that a loss has occurred or is about to occur.
2. "Proof of Loss" - means written proofs such as claim forms, medical bills, medical authorizations or other reasonable evidence of the claim that is ordinarily required of all insureds or beneficiaries submitting the proof of loss.
3. "Written Correspondence" - means all correspondence, regardless of source or type, that is materially related to the handling of the claim with CLI.

B. Proper Claims Practice

You, the agent must adhere to the following procedures:

1. All claim questions, material and information given to you by the certificate holder / policyholder must be reported and/or submitted to the home office Claims Department within 24 hours of receipt of the information. All notifications of claim are recorded in order to assure that Catholic Life Insurance complies with state regulatory requirement, which states generally, that the company must acknowledge a claim within 15 days of notification.
2. You **must not** commit CLI to the payment of a claim by promising that a claimant will receive a certain benefit amount or coverage. The claimant must be referred to the home office concerning these matters.
3. All claim forms must be ordered from the home office.

B. Proper Claims Practice (continued)

B. Proper Claims Practice (continued)

4. All claim forms must be fully completed by the certificateholder and returned to CLI's home office in San Antonio, Texas by the certificateholder or you.
 - a. It is the certificateholder's/policyholder's responsibility, to collect and submit all information requested by the home office Claims Department. This includes taking the Attending Physician's Statement form to the certificateholder's/policyholder's physician, obtaining requested information, etc.
 - b. Any questions the certificateholder/policyholder may have during this process must be directed to the home office. Always refer the certificateholder/policyholder to the Claims Department as necessary.

1. Knowingly misrepresenting to claimants and insureds relevant facts or certificate provisions relating to the coverage at issue;
2. Failing to inform CLI's home office, with reasonable promptness as specified above, of pertinent communications with respect to claims arising under CLI's policies;
3. Attempting to settle a claim instead of referring the claimant to CLI's home office;
4. Advising the certificateholder to submit false claims to the company;
5. Altering a claim form or other forms submitted with a claim;
6. Improper agent intervention.

C. Improper Claims Practice Any of the following acts constitute an improper claims practice and may be subject to the suspension or revocation of your license to transact business with Catholic Life Insurance. They include, but are not limited to, the following:

SECTION 7.

COMPLAINT HANDLING REQUIREMENTS

Consumer and Insurance Department complaints are to be handled by CLI's Compliance Department.

A. Complaint Investigations and Responses: CLI's Compliance Department will gather all the necessary information and respond to all complaints.

1. This department also will keep track of complaints by state, agent, and nature of the complaint in order to detect, correct and monitor problem areas.

2. The states almost always require your statement relating to each complaint. Most states have requirements that insurers respond to them within a certain period of time which may vary from 7 to 15 days. Therefore, when your statement is requested by the Compliance Department, it must be signed, dated and returned promptly within the time frame requested. Please remember that facsimiles or copies are not adequate.

SECTION 8. COMPLIANCE

DEPARTMENT MEMORANDUMS

AND/OR BULLETINS

This Compliance Manual will be updated periodically. The home office will distribute these periodic updates to you. You then need to incorporate these additional updates with your copy of the Compliance Manual.

SECTION 9. DISCIPLINARY ACTION

The Manual notes the obligation of CLI to pursue disciplinary action in cases where:

- You fail to follow the procedures and guidelines of the Manual; or
- You fail to follow the procedures and guidelines of the Agent Contract; or
- When your activities are found by CLI to be prejudicial against the spirit and intent of the procedures and guidelines of the Manual or the Agent Contract.

CLI may terminate any agreement made with you with or without cause at the sole discretion of CLI.

In addition, where required by law, CLI may report either to the state insurance department or to local law enforcement agencies, your activities that CLI reasonably suspects to be in violation of the law.

SECTION 10. ADDITIONAL REQUIREMENTS

Changes in state insurance laws and regulation occur frequently and the requirements outlined in this Compliance Manual may change accordingly. The home office will advise you of these changes as soon as possible. Therefore, it is your responsibility to follow the new requirements and/or to use the latest addition of any applicable forms.



CATHOLIC LIFE INSURANCE

COMPLIANCE MANUAL ACKNOWLEDGEMENT

I acknowledge receipt of Catholic Life Insurance's Compliance Manual.

I have read and understand its contents and further understand that if I do not comply, in full, with its provisions it may be a violation of law or my Agent Contract and may result in, without limitation, the cancellation of my Agent Contract with Catholic Life Insurance.

Signature

Print Name

Agent License Number

Date

CATHOLIC LIFE INSURANCE

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