Compliance Bulletin

Publication Date: May 20, 2021 **Effective Date: Immediately**

Annual Reminder on Replacements

The purpose of this bulletin is to reinforce to appointed producers of Forethought Life Insurance Company ("Forethought") the importance of their responsibilities whenever making recommendations to replace annuities, and to remind producers of the broad definition of "replacement" under the NAIC Life Insurance and Annuities Replacement Model Regulation.

Please take the time to review this information and contact Forethought's Compliance Department at compliance@gafg.com if you have any questions.

REPLACEMENTS

The term "replacement" is referred to as a transaction in which a new life insurance policy or annuity contract is to be purchased, and it is known or should be known to the proposing producer, or to the proposing insurer if there is no producer, that by reason of the transaction, an existing policy or contract has been or is to be:

- Lapsed, forfeited, surrendered or partially surrendered, assigned to the replacing insurer or otherwise terminated;
- Converted to reduced paid-up insurance, continued as extended term insurance, or otherwise reduced in value by the use of non-forfeiture benefits or other policy values;
- Amended so as to effect either a reduction in benefits or in the term for which coverage would otherwise remain in force or for which benefits would be paid;
- Reissued with any reduction in cash value; or
- Used in a financed purchase

Replacements are further defined as the purchase of a new policy involving the actual or intended use of monies obtained by the withdrawal or surrender of, or by borrowing from values of, an existing policy to pay all or part of any premium due on the new policy.

It is very important to carefully consider the appropriateness of any proposed replacement and ensure your client understands the advantages, disadvantages, and potential impacts, of a replacement. Specific factors to consider include guaranteed interest rates, loss of existing benefits, potential surrender charges on the existing annuity contract or life insurance policy and the new surrender charge period of the new annuity contract.

The replacement should provide a substantial economic benefit to your client before you recommend the change. Below are a number of items to consider before recommending a replacement sale:

- How do the benefits of the existing product compare with those of the new annuity you are recommending, including rates, surrender charge period and sales loads, riders, etc.?
- Will the new annuity better meet your client's needs and financial objectives?
- Will your client lose any money in the existing annuity contract if it is replaced by the new annuity?

- Is there any outstanding loan on the existing policy? If yes, how will the loan be repaid prior to the replacement?
- Is the client currently taking required minimum distributions (RMDs) and/or other qualified distributions from the existing annuity? If so, how will these distributions be handled with the new policy?
- Has your client replaced an annuity contract within the past 36 months?
- In the case of a deferred to immediate annuity replacement, was an annuitization quote run on the existing deferred annuity contract to ensure the immediate annuity provides a material financial benefit to the client?

PRODUCER SUITABILITY AND BEST INTEREST GUIDE

As part of Forethought's commitment to ethical sales, marketing practices and consumer interactions, we have developed a Producer Suitability and Best Interest Guide for your use. By representing Forethought, you are expected to comply with the principals and requirements set forth in the guide. The guide can be viewed within the legal and compliance section of our financial professional access portal.

Thank you for taking the time to review these important reminders. If you suspect any violations or abuse of Forethought policies, please report them by sending an email to compliance@gafg.com.

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