

Insurance and Investments

NAOSA requires members to act in utmost good faith when working with clients and in a manner that the NAOSA member reasonably believes to be in the best interest of the client. Additionally, each Professional Member of the National Association of Senior Advocates must follow and act in accordance with a Standard of Guidelines. We call these the NAOSA Gold Standards of Professional Practice.™

NAOSA Gold Standards of Professional Practice™ have been created by professionals in their specific fields and strive to eliminate gray areas that may exist in various business practices. Although these gray areas are many times legal, NAOSA experts agree that they generally do not serve the best interest of the consumer. Members who are found not in compliance with these standards will be censured, with membership revoked immediately.

The NAOSA Gold Standards of Professional Practice™ for investment and life insurance agents/brokers requires that members, as stated previously, act in utmost good faith when working with clients. Members may only offer products and services that the NAOSA member reasonably believes to be in the best interest of the client.

Although brokers and agents are obligated to rules and regulations established by both the federal and state governments, there are still many gray areas that have not been addressed. The National Association of Senior Advocates member professionals have identified several business practices and/or products that require a deeper consumer education and at times, elimination from consideration. The following NAOSA Gold Standards of Professional Practice™ are requirements of NAOSA members and are not intended to replace or interfere with existing federal or individual state rules and regulations already in place.

NAOSA Gold Standards of Professional Practice™

Annuities:

When selling annuities with a surrender period of over 7 years, agents will perform a thorough cost analysis with similar annuities within the agent's portfolio that offer surrender periods of seven (7) years and under. The member agent will only recommend an annuity with over a seven-year surrender period if the annuity has a higher **net** rate of return than annuity with lower surrender periods.

NAOSA members will be particularly vigilant when selling "bonus annuities", an annuity offering an upfront interest rate bonus to the client. At times, a bonus annuity will have higher internal expenses and longer surrender periods, with the final outcome being an equivalent or lower net rate of return even after the bonus money is applied. In such cases, the agent will recommend the higher net rate of return annuity, regardless of the upfront bonus.

Percent of Assets Invested: Other than annuities with the **sole** objective of guaranteed income, agents will not advise a client to invest more than 50% of investable assets in an annuity.

Replacement of Annuities within the Surrender Charge Period: Agents will not replace one annuity for another investment within an annuity's surrender period unless the client has an emergency that requires a withdrawal and has exhausted all other options within their portfolio.

Replacement of Annuities outside the Surrender Charge Period: Agents will not replace one annuity for another annuity outside of an annuity's surrender period unless the client's investment strategy has changed or the guaranteed **net** rate of return on the replacement annuity is demonstrably higher.

Indexed Annuities: Agents will provide full disclosure on indexed annuities. Clients must have a clear understanding in writing of the difference between Cash Value, Cash Surrender Value and The Protected or Guaranteed Value. When discussing the guaranteed growth rates, it must be disclosed that the guarantee only increases the amount available for income. The overall underlying value of the investment will only grow according to how it is invested. The client must have a clear understanding that the primary objective of indexed annuities is guaranteed income, not overall cash value available for lump sum withdrawal or to pass on to heirs. The client must also have a clear understanding of the affect withdrawals or an income stream will have on the overall cash value.

Investments:

An agent will not switch a client's mutual fund from an A share fund to a C share fund unless the total management cost to client will decrease or the client's investment objective has changed.

An agent will clearly explain their compensation structure. Agents will not state an investment is "no-cost" when offering C shares or no-load funds that are subject to an advisory fee.

Life Insurance:

Agents will recommend life insurance on a needs basis and will recommend need over policy type. With the exception of Final Expense Policies, NAOSA members will never sell a permanent policy for a short term need.

Low or moderate income families will not be recommended a permanent policy if the policy does not cover the insured's total needs, i.e. income replacement, mortgage pay-off, education, etc.

If the NAOSA member professional is also acting as a financial planner or investment advisor, the member professional will review all investment goals and advise accordingly. If a client has goals that would be better suited through products other than permanent life insurance, the NAOSA member professional will recommend the appropriate product.

Policy Replacement: With the exception of the following, agents will not replace an existing whole life or universal life policy for a new policy:

- The client has a clear and stated need for more insurance and/or the agent can clearly demonstrate an *insurance cost savings* (as opposed to premium cost savings) with the replacement policy.
- The client has an underfunded Universal Life policy (the policy will lapse under current premiums) and the proposed replacement policy has a lower or equivalent cost while providing guaranteed coverage.
- The client has a long-term care (LTC) need and the proposed policy can pay for LTC by way of an accelerated death benefit and/or extension of benefits rider. This exception only applies if there is a stated need for LTC and the replacement policy has a guaranteed premium and death benefit.

Additionally, the following conditions must be met:

- The premium and benefits associated with the accelerated death benefit chronic illness rider (101g), LTC rider (7702b) or LTC extension of benefits rider must be guaranteed.
- If a 101g chronic illness rider is proposed, a compensable chronic illness must not require the condition to be permanent
- The client cannot obtain an individual LTC policy due to lack of additional funds or lack of insurability and/or the client is reluctant to buy a LTC policy, with non-guaranteed premiums, that may never be needed (i.e. long term care may never be needed in one's lifetime, but life insurance will eventually pay a death benefit).

Are you a professional in the insurance and investment field? We welcome your constructive input to assist in the protection of all consumers. Please [contact us](#).

Professional Signature:

I, _____, of _____
(Professional Name) (Company Name if Applicable)

agree to uphold the National Association of Senior Advocates Gold Standards of Professional Practice™ as described above.

Signature: _____ Date: _____

Client Signature (Optional):

I, _____
(Client Name)

have reviewed the National Association of Senior Advocates Gold Standards of Professional Practice™ as described above. I understand that NAOSA members are required to uphold to these high standards and face censorship from NAOSA if violated. Complaints may be sent to info@naosa.org.

Signature: _____ Date: _____

The information contained herein is intended to be a useful guide in explaining insurance and investments and is strictly NAOSA's opinion of best practices. As is the case with any product or service, this should not be considered financial advice, an endorsement or recommendation of NAOSA. Always seek a qualified advisor when considering any product or service. For more information on the National Association of Senior Advocates Gold Standards of Professional Practice, please visit our website at <https://www.naosa.org/professional-gold-standards>