



**NATIONAL
STATES**
INSURANCE
COMPANY

St. Louis, Missouri 63146



**NATIONAL
STATES**
INSURANCE
COMPANY

Responsibilities to Clients and Company

To: All individuals licensed to represent National States Insurance Company

In today's sales environment the marketplace is filled with many buyers' being increasingly aware of product competition and rightfully demanding professional competence and service from each and everyone of our sales representatives. It is with a deep sense of responsibility to communicate to all members of our Insurance Company's sales organization those items of performance which we believe will place each of us above reproach in the eyes of the insuring public. We further believe that it is of the utmost importance for each of you to keep yourselves fully informed on all aspects of our business and use the many continuing education programs available in our industry.

You are National States Insurance Company to the folks with whom you have contact, and the true image of our Company is that which you create through the professional manner in which you conduct your individual business.

This brochure discusses some of the professional principles and Company rules we feel should be followed by all National States sales people in their daily activities. When you have read, discussed and completely understood the contents, please complete the Agent's Responsibility Statement on the last page and present it to your General Agent who will forward it to St. Louis to become a permanent part of your licensing file.

These professional principles should continue to remind each of us of our standards of good conduct throughout our tenure as representatives of National States.

Thank you for your cooperation.

Sincerely,



Thomas R. Green
President
National States Insurance Company

RESPONSIBILITIES TO CLIENTS AND COMPANY

In fulfilling the responsibilities of an insurance agent for the National States Insurance Company, you must necessarily assume roles requiring the performance of a variety of tasks. Not every situation or circumstances which you will encounter can be foreseen, but as one who is expected to perform as a professional, it is your obligation to consistently maintain the highest standards of ethical conduct. It is not the purpose of this brochure to provide a comprehensive list of dos and don'ts, but rather to illustrate those basic principles to which you will be expected to adhere in meeting your responsibilities to both your clients and this Company. As is set forth in the statement of policy adopted by the Board of Directors of National States Insurance Company on June 22, 1990:

"It is the personal responsibility of each person associated with National States Insurance Company and its affiliates to conduct business activities in his or her area of responsibility with integrity and in accordance with all applicable laws."

Producer's Responsibilities to the Company

- ✓ To act in an honest, ethical, responsible and authorized manner; to conduct your affairs and the Company's business in a dignified manner which reflects favorably upon you and the Company.
- ✓ To read, learn, and know all the rules the Company expects its producers to adhere to.
- ✓ To make only those representations and interpretations on behalf of the Company that have been specifically approved or authorized.
- ✓ To assure accurate and complete information has been recorded on all applications for insurance coverage including proper signature of the applicant and/or insured whenever required.
- ✓ To witness only those signatures which are known to the producer to be genuine.
- ✓ To selectively screen the risks to be presented to the Company for new insurance coverage, to seek and submit any information which the Company might use to evaluate the risk, and to give the Company full disclosure of any and all information known by you which might influence the classification of coverage. You must make full disclosure of the nature of the risk.
- ✓ To exercise proper fiduciary duty and control in handling money belonging to the client or the Company.
- ✓ To immediately notify the Company if you learn that information used by the Company in its underwriting of the risk was inaccurate or incomplete regardless of when such differing information becomes known.
- ✓ To promptly transmit to the client all documents or information upon the direction of the Company.
- ✓ To communicate, on a timely basis, to the Company, any potential conflict of interest arising from changing business interest or relationships which require further evaluation to ascertain they would not adversely affect or influence the producers' judgement in the performance of any services on behalf of the Company or which might tend to impair public confidence in the Company.

Producer's Responsibilities to the Client

- ✓ To carefully analyze the insurance needs of your client, to discuss them with your client, and to suggest insurance products which adequately provide such coverage and are economically feasible.
- ✓ To give only advice which you, in good faith, feel competent and authorized to give, especially in situations involving legal matters.
- ✓ To inform your client that at the minimum, insurance coverage cannot be effective until the first premium is paid, and the insurance company has accepted the coverage.
- ✓ To act reasonably and without delay in submitting any application for insurance.
- ✓ To refrain from verbally assuring your client that coverage is effective until you have received proper assurance that the policy is in effect.
- ✓ To advise your client, without delay, when coverage has been rejected and the reason for such rejection.
- ✓ To regularly discuss and evaluate the needs of your client in light of changes in your client's circumstances or new insurance products, and suggest any changes in coverage which properly meet those needs.
- ✓ To service your client's insurance coverage and needs to the fullest extent possible.

You should be aware that should the Company or your General Agent become aware of any instances of apparent dishonesty, misrepresentation or other failure to fulfill the responsibilities of a life and health insurance agent, there will be an immediate investigation. If that investigation confirms any wrongdoing, penalties appropriate to the offense, including termination, will be imposed. The insurance department of the state may also be notified of terminable offenses.

As a professional, your loyalty to the Company and your clients should be sufficient to motivate you to perform your duties consistent with the highest standards of personal and professional integrity. You should constantly seek to maintain the respect and confidence of your clients and to conduct yourself appropriately as a representative of National States Insurance Company.

NATIONAL STATES PRODUCERS GUIDELINES

INTRODUCTION

The following pages set forth the procedures and philosophy the Company would like its field representatives to follow in soliciting and servicing business on its behalf. We are not attempting to provide a detailed set of instructions on how to sell our products since your general agent or a Home Office Training Officer along with an experienced agent assigned by your general agent, will conduct training sessions which will include actual field situations along with detailed sales instruction. These training sessions will be more flexible than any manual could be and will be able to cover sales techniques and requirements which may be unique to your area, however, the Company requires that you follow the general guidelines that follow.

AUTHORITY

Agents are authorized to solicit applications for insurance on plans offered by the Company, to collect the initial premium of such business for prompt transmission to the Company and to perform such other duties as the Company may from time to time require.

Agents are not authorized to accept risks of any kind; to make, modify or discharge contracts; to extend the time for paying any premium; to waive forfeiture; to bid the Company by any statement, promise or representation; or to employ counsel to represent the Company. Any payment received with an application in accordance with the Company rules, should be accepted only in exchange for the conditional receipt attached to the application. All matters involving legal questions or State Insurance Department matters must be referred to the Company promptly for instructions.

LICENSES

No application can be considered by the Company until the agent securing such application is properly licensed in accordance with the laws of the state in which the application is written. Any question in regard to proper licenses should be referred to your general agent.

REBATING

No agent shall pay, allow, or offer or agree to pay or allow, at any time, directly or indirectly, any rebate of any premium or portion thereof or any concession or advantage or other consideration whatever on any

REBATING (cont.)

policy of insurance either to the applicant for the policy or to any other person.

DEALING WITH THE APPLICANT

The agent is forbidden by law to make any misrepresentation or any misleading representation in respect to terms, benefits, or conditions of any policy, or to make any incomplete or misleading comparison of policies to induce any prospect to take out a policy or to convert it into another policy.

Much of our business involves dealing with senior citizens and the agent should bear in mind that these older people are often easily confused and perhaps frightened by someone rapidly firing facts and figures at them. Evaluate their needs and explain slowly and thoroughly all aspects of the coverage you are presenting in a reassuring manner and avoid painting grim pictures of financial ruin due to poor health since this can be very alarming to an older person.

Only one agent is to enter the home of an applicant at one time. New agents in training with another agent will be temporarily permitted but only for a very short period. Remember, only one (1) agent in a house at any one time.

If the agent is licensed or appointed with any additional company, the agent must notify National States of any termination, administrative action or reprimand by any authority or company, including any type of criminal charge, and a complete explanation and the reasons for such charges.

We discourage replacing existing coverage but if it should be necessary on occasion, the agent should be certain to emphasize all waiting periods and contestable periods under the new coverage so that the applicant has a clear understanding of the consequences of his action. Many states now have strict laws and clearly defined procedures an agent and company must follow when replacing existing coverage for both life and health insurance. Check with your general agent for the applicable state rules.

The Company monitors new business to determine appropriateness and reasonableness of the coverage mix sold and to insure that business is not being "rolled-over" or switched within our Company or from our Company to another company. Continued lapsing of insurance by anyone will be reason to refuse to issue further new business.

ADVERTISING

Agents may not publish anything concerning the policies or business of the Company or issue circulars of any kind unless the matter has first been submitted to, approved and authorized by the Company in writing.

The Company provides sales brochures for the agent to follow in making a presentation and in some states outline of coverages are required. Use the sales material provided by the Company and do not change or write notes on any of the material you leave with the applicant since at a later date when the verbal portion of the presentation has been forgotten, incomplete notes may be misleading and misconstrued by persons not present during the sales presentation.

EXPENSES

All expenses of agents incurred while working within the normal scope of business activities shall be borne by the agents. The agent is not authorized to incur any expense on behalf of the Company.

COMPLETION OF APPLICATIONS

The application forms the basis for the contract between the Company the Policyholder. It must be prepared in ink and signed by the applicant. Under no circumstances may another person sign for the applicant except in the case of a parent signing for a child. One application must be completed for each plan being applied for and in the case of family coverage, all family members applying for coverage must be listed on the application.

All questions on the application must be asked and fully answered. Do not use such phrases as "see Company records" or "see claim records." Give full details on the application and if additional space is needed to record complete information, a separate sheet, signed and dated by the applicant, may be attached to the application. Remember, incomplete information on the application can cause delays in underwriting and issuing the policy since it becomes necessary to correspond with doctors, hospitals, or agency offices to acquire the information omitted from the application.

A receipt must be given for any money collected with an application and in all cases the receipt must have the same date as the application. Generally, the Company will issue policies with an effective date as of the date the issue process is completed or a requested deferred effective date, if later.

GENERAL

While an agent's primary source of income consists of commissions generated by new sales. It is important to remember that by keeping the goodwill of your past clients you can create new sales and sustain your renewal commission as a base income on which to build.

Another fairly simple and inexpensive way to build goodwill, increase renewals, and obtain leads to future sales, is to return telephone calls from policyholders on a timely basis. A major source of irritation can be repeated calls to an agent to obtain the answer to a simple question, being told that the agent would return the call, and then receiving no response from the agent. We cannot emphasize enough the importance of returning telephone calls as promptly as possible.

Another important point the agents should remember in dealing with senior citizens is to properly identify himself and our Company that he represents. There are some unscrupulous persons in the Medicare Supplement market who lead the elderly to believe they have been sent by the Federal Government in regard to Medicare. This, of course, is illegal and for the agent's and Company's protection, in addition to properly identifying himself at the beginning of the sales presentation, it is a good idea to leave a business card, or printed literature provided by the Company which bears the Company's name and address.

By following these general guidelines and the directions of the general agent, the agent can ensure a successful and rewarding relationship with the Company.

NEBRASKA ADDENDUM

The following additional agent's guidelines are added to those contained in this booklet for agents writing in Nebraska.

- ✓ The agent should not use improper high-pressure sales tactics.
- ✓ If an agent is requested by an applicant to leave their premises, they should do so immediately.
- ✓ If an insured or applicant requests that an agent not contact them, the agent must comply with that request.
- ✓ When selling multiple policies to an insured or applicant, the agent should be sure to properly assess the person's need for such coverage, and their financial ability to pay the premiums.
- ✓ All agents should follow appropriate marketing and conservation practices relating to individuals who have requested cancellation.
- ✓ All agents should follow appropriate marketing and conservation practices relating to individuals with memory loss.
- ✓ Receipt of multiple complaints regarding one producer or agency will result in a review of sales practices used by that producer or agency. If warranted, sanctions may be brought against that producer or agency as a result of such review.
- ✓ All agents should consider the suitability and advisability of replacing existing coverage, and document such replacements with the required replacement forms.
- ✓ All agents must offer assistance and service to policyholders when requested by the policyholder.
- ✓ All agents should be thoroughly familiar with each Company product prior to offering it for sale to applicants.