THE CINCINNATI LIFE INSURANCE COMPANY

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Annuity Product Training

I) Types of Annuities We Offer

a. Single Premium Deferred Annuity (SPDA) – an annuity contract purchased with a single premium payment; periodic income payments generally do not begin until several years in the future
b. Flexible Premium Deferred Annuity (FPDA) – an annuity contract purchased with one or a series of premium payments; periodic income payments generally do not begin until several years in the future
c. Single Premium Immediate Annuity (SPIA) – an annuity contract purchased with a single premium payment designed to generate periodic payments within one year of the contract date; payments usually begin one annuity period after the contract's issue date based on the payment mode selected at issue

II) Parties to Our Annuity Contracts

a. Owner – The individual(s) who owns the contract and is entitled to exercise all rights and privileges provided in the contract. If there are joint owners, the term owner means both owners or the survivor if one owner is deceased.
b. Annuitant – The individual whose lifetime is used to measure the length of time periodic income payments are payable under an annuity contract and who usually receives the annuity benefit payments. We currently do not accept joint annuitants.
c. Beneficiary – The individual(s) who receives any death benefit payable under the annuity contract. The primary beneficiary is the surviving owner, if any. If there is no surviving owner, the primary beneficiary is the individual(s) designated by the owner and named in our records. The contingent beneficiary is the individual(s) designated by the owner and named in our records as beneficiary if the primary beneficiary is not living. If there is no surviving beneficiary, then benefits are paid to the estate.
d. Natural person – A living individual or trust entity that is treated as an individual for federal income tax purposes under the Internal Revenue Code.
e. Non-natural person – A corporation or another entity that is not a natural person.

III) Funding Options

Cincinnati Life accepts both qualified and nonqualified money, including funds from 401(k), 403(b) and some pension plans. Portfolio Annuities may be used to fund:

- Traditional IRA
- Roth IRA
- SEP retirement plans

a. Nonqualified – Annuity purchased using out-of-pocket premium payments and does not receive all of the U.S. income tax advantages afforded qualified annuities, such as a tax deduction on a final Form 1040.
b. Qualified – Annuity purchased to either fund or distribute funds from a tax-qualified employee benefit retirement plan, such as a 401(k), 403(b), 457 or IRA plan, generally using pretax dollars, and is exempt from current income taxation during the accumulation period.
c. Traditional IRAs
    i. **Contributions** are out of pocket premium payments and limited by the IRS on an annual basis. (Please consult your life sales field representative or headquarters for annual limit.)
    ii. **Transfers** of an existing IRA or another qualified plan are only limited by our maximum premium if applicable.
    iii. **Rollovers** from IRAs or other qualified plans are only limited by our maximum premium if applicable.

d. Roth IRAs
   i. **Contributions** are out-of-pocket premium payments and limited by the IRS on an annual basis. (Please consult your life sales field representative or headquarters for annual limit.)
   ii. **Transfers** of an existing IRA or another qualified plan are only limited by our maximum premium if applicable.
   iii. **Rollovers** from IRAs or other qualified plans are only limited by our maximum premium if applicable.

e. SEP IRAs
   i. **Contributions** are paid by the sponsoring employer and are limited by the IRS on an annual basis. (Please consult your life sales field representative or headquarters for annual limit.)
   ii. **Transfers** of an existing IRA or another qualified plan are only limited by our maximum premium if applicable.
   iii. **Rollovers** from IRAs or other qualified plans are only limited by our maximum premium if applicable.

Portfolio Annuities may not be used to fund:

- Coverdell Education Savings Accounts
- Sec. 529 College Savings Plans
- SIMPLE IRA plans
- Trusteed plans
- 401(k) plans
- 403(b) plans
- 412(i) plans

Please note that while Cincinnati Life cannot fund a 401(k), 403(b), pension plan, etc., we can accept a distribution of funds from these types of accounts as transfers into our IRA.

IV) Issue Ages: 0-80

V) Maturity Date

The default maturity date is the later of age 85 or 10 years after contract issue, unless another age/date is otherwise stated in the application.

VI) Minimum/Maximum Premium

a. SPDA – $5,000 minimum; $1,000,000 maximum
b. FPDA – $1,000 initial premium, $25 monthly premium thereafter; $1,000,000 maximum
c. SPIA – $10,000 minimum; $1,000,000 maximum

Please contact your life sales field representative for amounts greater than $1,000,000.

VII) Guaranteed and Current Interest Rate

a. Minimum rate guaranteed for the life of the contract
b. Determined annually for new issues and can range from 1-3%
c. Current rate, once the contract is issued, is guaranteed for 12 months. The rate continues to renew annually, guaranteed to never be less than the stated guaranteed interest rate for the individual contract.

VIII) Surrenders and Withdrawals

a. Surrender Option:
   i. The owner may surrender the contract for its cash surrender value at any time prior to the maturity date. The cash surrender value is the greater of the following amounts:
      1. The account value minus any surrender charge; and
      2. The sum of all premiums we received minus any previous withdrawals and related surrender charges.
   ii. Surrender Charge – Charge for taking a full surrender or a withdrawal outside of the free amount parameters.
      1. SPDA - 7-year surrender charge. Charge starts at 7% and reduces 1% each contract year.
      2. FPDA – 9-year surrender charge based on original contract year. Charge starts at 9% and reduces 1% each year.
      3. SPIA – Surrenders not available.

iii. Minimum Surrender Value – The contract may be surrendered at any time and we guarantee a cash surrender value not less than the total premiums paid less any previous withdrawals. (This only applies to full surrenders, not partial withdrawals.)

b. Withdrawals:
   i. The owner may make a withdrawal of less than the cash surrender value at any time during his/her lifetime prior to the maturity date provided:
      1. The withdrawal amount is equal to or greater than the minimum withdrawal amount of $250;
      2. The account value after the withdrawal is equal to or greater than $1,000, the required minimum account value, after the withdrawal. Please note the account value will be reduced by the amount of the withdrawal and any applicable surrender charges.
   ii. Free Withdrawals – The owner may make one withdrawal of up to 10% of the account value once each contract year without incurring surrender charges.

IX) Optional Rider

a. Long Term Care Facility and Terminal Illness Benefit Rider (Waiver of Surrender Charge Rider in some states) – Waives surrender charges normally assessed for any partial withdrawal or full surrender if the **owner** is:
   i. Hospitalized for 30 consecutive days
   ii. Confined to a Long Term Care Facility for 90 consecutive days
   iii. Diagnosed with a terminal illness (Please refer to form CLI-667 for definitions and additional details)

X) Optional Maturity Date

a. The owner may change the maturity date shown in the contract specifications provided we receive the owner's request, in writing, before income payments begin.
   i. The new date must be on or after the later of:
      1. The eighth contract year for SPDAs or tenth contract year for FPDAs
      2. The date of the owner's request
   ii. The new maturity date must be on or before the later of:
      1. The annuitant's age 90
      2. Ten years from the date of the owner's request

XI) Settlement Options

The surrender value less any applicable premium tax may be applied at the maturity date under one or more of the settlement options, subject to our minimum amounts. The amount of income depends on the amount applied and the option and payment frequency elected.

a. Fixed Period – Payment will continue for a fixed amount of time not to exceed 30 years.
b. Life Income with 10 years Certain – Payments will continue for the longer of 10 years or the annuitant's death. If the annuitant dies within the 10-year period the payment will continue for the remainder of the guaranteed period. If the death occurs after 10 years the payments will cease.
c. Income Fixed Amount – Income amount is selected by owner. Payments will continue at selected amount until funds are exhausted. Payment selected must last at least 5 years not to exceed 30 years.
d. Joint and ½ to Survivor – Payment is based on two lives. After the death of either annuitant we will reduce the income payment to one-half the payment made during the joint life period. The reduced payment will continue as long as the surviving annuitant is alive.

XII) Death Benefits

a. Our contracts are owner driven, so the death of the owner triggers the death benefit, free from surrender charges.
b. Death benefit payable in the following order:
   i. Joint owner, if any
   ii. Primary beneficiary
   iii. Contingent beneficiary
   iv. Deceased owner's estate

c. Special death claim circumstances
   i. Annuitant dies and is not the owner before maturity date
      1. If owner is a natural person the contract remains in force and the owner names a new annuitant. No death benefit is payable.
      2. If the owner is a non-natural person the death of the annuitant will be treated as the death of the owner and a death claim will be paid.
   ii. Annuitant dies after maturity date
      1. Death benefit will be paid at least as rapidly as settlement option selected.

d. Death claim options
   i. Continue the contract **(spouse only)**
   ii. Single sum payout
   iii. Payment of the entire death benefit
      1. For nonqualified plans, payment must be made within five years of the date of death of owner or joint owner.
      2. For IRAs, payment must be made within 10 years of the date of death of owner.
   iv. Payment of death benefit under an income option not to exceed the life expectancy of the beneficiary.
      1. For Roth IRAs, Traditional IRAs and SEPs, the beneficiary must liquidate the account within 10 years of the IRA owner's death unless the beneficiary is one of the five Eligible Designated Beneficiaries defined by the SECURE Act.
         a. Surviving spouse
         b. Minor child of IRA owner
         c. Chronically ill individual
         d. Disabled individual
         e. Individual no more than 10 years younger than IRA owner

XIII) Suitability Requirements

a. Company Needs-Based Selling and Suitability Guidelines

It can be hard to balance the products you sell with what the clients perceive to meet their needs. Performing needs analysis helps to ensure that your clients get the product and amount of coverage that comes closest to meeting their objectives.

Determining the suitability of a particular insurance or annuity product for a particular client is one of the most important services you can provide; it is a critical element of every sale. A purchase recommendation is "suitable" when it is appropriate for your client's insurable needs, financial objectives and affordability.

Some states have adopted suitability regulations governing individual annuity contracts. The regulations generally require that you must have reasonable grounds for believing the annuity contract you recommend is suitable for the client based upon the information supplied to you.

To address your client's needs and meet suitability compliance standards for annuities:

- Educate clients. Make certain that clients know how the contract operates, including any premium payments, fees, penalties, interest rates and potential risks. Emphasize that annuities are long-term purchases and explain the difference between "tax free" and "tax deferred."
- Do complete fact-finding, which includes reasonable efforts to obtain your client's age, occupation, educational background, financial status, tax status, investment objectives, retirement and financial plans and other information you need to make a purchase recommendation.
- Help clients select the right product based on their purchase needs, risk tolerance and financial means.
- Use the state-required disclosure forms provided by Cincinnati Life. Make certain the form you use covers the key information about the product.
- Provide a balanced presentation of the features, benefits and restrictions for products that you recommend. Avoid overemphasizing any one benefit, such as tax-favored advantages for annuity interest or life insurance proceeds.
- Follow up with your client on the first anniversary.

b. Protection in Annuity Transactions

Over the past several years, the NAIC established model regulations to better protect annuity consumers from unsuitable sales and abusive sales and marketing practices. These model regulations initially set forth standards and procedures for making recommendations to senior consumers that result in a transaction involving annuity products. The model regulations later evolved to cover all consumers.

The standards and procedures established by the NAIC Model Regulations help assure that an insurance producer appropriately addresses the insurance needs and financial objectives of consumers at the time of the transaction. Specifically, the latest model regulation, Suitability in Annuity Transactions, was adopted by the NAIC on February 13, 2020, to:

- Hold insurers responsible for ensuring that annuity transactions are suitable by establishing a system to supervise agents' recommendations to consumers
- Require that agents act in the best interest of the consumer when making a recommendation of an annuity and be trained on the provisions of annuities in general and the specific products they are selling

Cincinnati Life reviews the appropriateness of each annuity application submitted to be sure the annuity contract is in the best interest of all applicants. Based on facts disclosed by the consumers as to their financial situation, needs, investments and other insurance products, an insurance producer must have reasonable grounds for believing that the annuity recommendation is suitable for the consumer.

c. Obligations of Insurance Producers and Insurers to Determine Suitability

Prior to the recommendation or sale of an annuity, the producer must disclose to the consumer:

- A description of the scope and terms of the relationship with the consumer and the role of the producer in the transaction
- The types of products the producer is licensed and authorized to sell
- Whose annuities the producer can offer
- How the producer is paid
- A notice of the consumer's right to request additional information regarding cash compensation

Please use the **Insurance Agent (Producer) Disclosure for Annuities**, **Form CLI-6370** and retain the form as part of your permanent record for your client.

Prior to recommending a particular annuity to a consumer, an insurer or producer must obtain the consumer's "suitability information."

"Suitability information" means information that is reasonably appropriate to determine the suitability of a recommendation, including the following:

- Age of the owner
- Annual income of the owner
- Financial situation and needs, including the financial resources used for the funding of the annuity
- Financial experience of the owner
- Financial objectives of the owner
- Intended use of the annuity
- Financial time horizon of the annuity (maximum value)
- Existing assets, including investments and life insurance holdings
- Liquidity needs
- Liquid net worth
- Risk tolerance
- Tax status
- Whether or not the consumer has a reverse mortgage

Please use the **Annuity Suitability Profile, Form CLI-6314** to collect the required information and retain the form as part of your permanent record for your client. In addition, complete and submit the **Annuity Suitability Acknowledgement, Form CLI-6315** with all annuity applications. By having the owner complete the Annuity Suitability Acknowledgement, the owner and you agree that the proposed annuity is suitable for the financial needs and objectives of your client.

Should your client refuse to provide information or has only provided limited information, have the client complete **Consumer Refusal to Provide Information**, **Form CLI-6371** and submit it with the annuity application. If a consumer decides to enter into an annuity transaction without you or your company's recommendation, have the client complete **Consumer Decision to Purchase an Annuity NOT Based on a Recommendation**, **Form CLI-6372** and submit it with the annuity application.

Request any other information that may apply in relation to the annuity purchase or exchange. Explain the advantages and disadvantages of a consumer purchasing or exchanging an annuity.

Follow the laws of the state where you write business, and if you have questions regarding the suitability of annuity transactions, please contact your life sales field marketing representative.

XIV) Certification

a. Four-credit training course – A producer who engages in the sale of annuity products shall complete a one-time four-credit training course approved by the department of insurance and provided by the department of insurance-approved education provider.

b. Best interest training course – Any producer who has already completed a four-credit training course prior to the state's adoption of the best interest standards must within six months after the effective date complete either:
   i. an additional one-credit course that includes the best interest standards and disclosure requirements, or
   ii. a new four-credit course approved by the state's department of insurance after the state's adoption, covering all previous training topics, plus the best interest standards and disclosure requirements.

c. Product-specific training – A producer must have adequate knowledge of the product to recommend the annuity and be in compliance with the insurer's standards for product training with all annuity carriers for which you will solicit or sell annuities. Review of **Annuity Product Training, Form CLI-6312** satisfies that requirement for Cincinnati Life.

A copy of the certification provided by a state department approved vendor and Cincinnati Life's **Annuity Product Training Certification, Form CLI-6313** must be submitted to Cincinnati Life. You may fax copies of both certifications to 513-881-8192, email to *cincinnati_life@cinfin.com* or mail to:

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