

Producer's Guide to Anti-Money Laundering

As an insurance producer, you are required to complete periodic anti-money laundering training. We recommend that you take the course provided by LIMRA International, Inc. (For other training options, refer to section 3 of this document.)

Please go to the following web page to access the course: <http://aml.limra.com>. Your ID will be the first four characters of your last name together with the last six digits of your Social Security Number. The password, if you are a first time user, will be your last name; otherwise, it will be the password you previously selected. Note: Both the ID and password are entered in lower-case characters only. If you require assistance logging into LIMRA, please contact LIMRA's technical support line (866-364-2380), and LIMRA will assist you.

Please refer to the remainder of this document for important information about our Anti-Money Laundering Program and what it means to you as an agent of one of the Sammons Financial Group member companies, Midland National Life Insurance Company.

As an insurance producer, your skills and services help clients achieve financial success and security. Because you are on the front lines of a multi-billion-dollar industry, you are in a unique position not only to serve clients but also to serve the country by helping to prevent money laundering and the financing of terrorist activities.

To comply with new federal anti-money laundering regulations for insurance companies, Midland National Life Insurance Company ("Company"), a member of the Sammons Financial Group, has adopted a detailed anti-money laundering program. You have an important role to play in that program. As a person who deals directly with customers, you will often be in a critical position to obtain information regarding the customer; the customer's source of funds for the products you sell; and the customer's reasons for purchasing an insurance product.

In order to sell individual annuities and life insurance, the company's Anti-money laundering program requires you to do the following:

1. **Ensure that all the information on the application is correct and associated documents are accurate and complete.** Records of this information must be retained as long as the contract remains in force and for five years thereafter.

Customers Who Resist Providing Information: If a customer resists providing information, notify your AML Compliance Committee.

2. **Notify us if you detect any money-laundering red flags so that the Company can determine whether a suspicious activity report (SAR) must be filed with the U.S. Department of the Treasury.** Red flags include, but may not be limited to, the following:

- the purchase of a product that appears to be inconsistent with a customer's needs
- the purchase or funding of a product that appears to exceed a customer's known income or liquid net worth
- any attempted unusual method of payment, particularly by cash or cash equivalents such as money orders

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- payment of a large amount broken into small amounts
- little or no concern by a customer for the performance of an insurance product, but much concern about the early termination features of the product
- the reluctance by a customer to provide identifying information, or the provision of information that seems fictitious
- any other activity that you think is suspicious

THE COMPANY AML COMPLIANCE COMMITTEE HAS THE SOLE RESPONSIBILITY FOR RESPONDING TO ANY INQUIRY REGARDING THE SUBJECT MATTER OF ANY SAR. AN AGENT OR BROKER MUST NOT, UNDER ANY CIRCUMSTANCES, DISCLOSE THE FACT THAT A SAR HAS BEEN FILED OR CONSIDERED OR DISCLOSE THE CONTENTS OF A SAR TO THE SUBJECT OF A SAR OR TO ANY THIRD PARTY. TO DO SO WOULD VIOLATE FEDERAL LAW.

Below is a list of the most recent acceptable and not acceptable forms of payment, as of May 2006:

Acceptable	Unacceptable	
Personal Check	Agent or Agency Check	Generic Checks
Certified Check	Money Order	Third-Party Checks
Electronic Fund Transfer	Traveler's Check	Starter Checks
Cashier's Check	Cash	

Acceptable forms of payment may change from time to time. Please refer to the Company's Web site for the most recent listing of acceptable forms of payment.

If a customer provides a form of payment that is not permitted, it should be returned immediately.

3. Receive periodic anti-money laundering training. Acceptable methods of training may include but are not limited to the following:

- 1) AML training course provided by LIMRA International, Inc.;
- 2) For agents who are registered representatives of a broker/dealer with which we have an effective selling agreement, the Company will accept the completion of the broker/dealer's AML training for purposes of satisfying the Company's AML training requirement;
- 3) For agents who are appointed with another insurance company and have completed the other insurance company's AML training program, the Company may accept a signed certification from the AML Compliance Officer that it has an AML program as mandated by the USA PATRIOT Act and that its agents have received AML training in accordance with that program; or,
- 4) If the agent is not directly affiliated and supervised by a broker/dealer or insurance company, the Company may accept confirmation that this person has received AML training at the discretion of the Company's AML Compliance Committee.

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Please note, you will not receive a paper certificate upon completion the course. The Home Page shows what percentage of the course you have completed. If your progress is less than 100 percent, you did not complete the entire course. When your Progress is 100 percent, you have completed the entire course. You do not have to notify our office when you complete the AML Training Course. LIMRA will provide us with the report informing us that you have completed the course.

The Company and its producers share an important responsibility to comply with the Company's AML program and all applicable anti-money laundering laws. A failure to do so will constitute grounds for discipline up to and including termination. In addition, violation of Anti-money laundering laws may expose those involved to substantial penalties under federal law.

Contact Information:

If you have questions regarding acceptable methods of payment, the customer identification requirements or any other new business issues, please contact Sales Support at the following numbers:

- Life Products: 800-843-3316, extension 32150
- Annuities: 877-586-0241

If you have questions regarding AML Training requirements, please contact Contract & Licensing at the following numbers:

- Life Products: 800-843-3316, extension 32280
- Annuities: 877-586-0242

To report suspicious activity or if you have questions regarding the Company's AML Policy, please contact the AML Compliance Committee at 1-866-384-0384.

Sammon's Insurance Companies ("SIC") Anti-Money Laundering ("AML") Policy

Midland National Life Insurance Company and North American Company for Life and Health Insurance.

May 2, 2006

POLICY STATEMENT AND PRINCIPLES

In compliance with the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act) ("Act"), Pub. Law 107-56(2001), Sammons Insurance Companies ("SIC") have adopted an Anti-Money Laundering (AML) compliance policy ("Policy") as set forth in the Board minutes of its respective life insurance companies, dated September 2002 and updated on May 2, 2006; to incorporate the Final Rules issued by Financial Crimes Enforcement Network ("FinCEN") United States Department of the Treasury ("Treasury") in November 2005.

SCOPE OF POLICY

This policy applies to all Sammons Insurance Companies ("SIC"), its officers, employees, appointed producers and products and services offered by SIC.

All business units, including, without limitation, the Sammons Annuity Group, and locations within SIC will cooperate to create a cohesive effort in the fight against money laundering. Each business unit and location have implemented risk-based procedures reasonably expected to prevent, detect and cause the reporting of transactions required under Title III, Section 352 and Section 326, of the Act. All efforts exerted will be documented and retained in accordance with the Act. The AML Compliance Committee is responsible for initiating Suspicious Activity Reports ("SARs") or other required reporting to the appropriate law enforcement or regulatory agencies. Any contacts by law enforcement or regulatory agencies related to the Policy shall be directed to the AML Compliance Committee.

POLICY

It is the policy of SIC to prohibit and actively pursue the prevention of money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities. SIC is committed to AML compliance in accordance with applicable law and requires its officers, employees and appointed producers to adhere to these standards in preventing the use of its products and services for money laundering purposes.

For the purposes of the Policy, money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the unlawful proceeds appear to have been derived from legitimate origins or constitute legitimate assets.

Generally, money laundering occurs in three stages. Cash first enters the financial system at the "placement" stage, where the cash generated from criminal activities is converted into monetary instruments, such as money orders or traveler's checks, or deposited into accounts at financial institutions. At the "layering" stage, the funds are transferred or moved into other accounts or other financial institutions to further separate the money from its criminal origin. At the "integration" stage, the funds are reintroduced into the economy and used to purchase legitimate assets or to fund other criminal activities or legitimate businesses.

Terrorist financing may not involve the proceeds of criminal conduct, but rather an attempt to conceal the origin or intended use of the funds, which will later be used for criminal purposes.

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Midland National Life Insurance Company and North American Company for Life and Health Insurance.

AML COMPLIANCE COMMITTEE

The AML Compliance Committee, with full responsibility for the Policy shall be comprised of the General Counsel, Sammons Financial Group ("SFG"); Chief Compliance Officer, SIC; Deputy Compliance Officer, SIC; Assistant Vice President-Internal Audit, and Corporate Attorney-Midland National Life Insurance Company. The Chief Compliance Officer shall also hold the title Chief AML Officer, and shall have authority to sign as such.

The duties of the AML Compliance Committee with respect to the Policy shall include, but are not limited to, the design and implementation of as well as updating the Policy as required; dissemination of information to officers, employees and appointed producers of SIC, training of officers, employees and appointed producers; monitoring the compliance of SIC operating units and appointed producers, maintaining necessary and appropriate records, filing of SARs when warranted; and independent testing of the operation of the Policy.

Each SIC business unit shall appoint a contact person to interact directly with the AML Compliance Committee to assist the Committee with investigations, monitoring and as otherwise requested.

COVERED PRODUCTS

The final regulations define "covered products to include: (1) permanent life insurance policies, other than group life insurance; (2) annuity contracts, other than group annuity contracts; or (3) any other insurance products with features of cash value or investment.

The products offered through SIC which meet the definition of a "covered product" include, but may not be limited to; fixed and variable universal life, whole life, and fixed and variable annuities.

CUSTOMER IDENTIFICATION PROGRAM

SIC has adopted a Customer Identification Program (CIP). SIC will provide notice that they will seek identification information; collect certain minimum customer identification information from each customer, record such information and the verification methods and results; and compare customer identification information with OFAC¹.

NOTICE TO CUSTOMERS

SIC will provide notice to customers that it is requesting information from them to verify their identities, as required by applicable law. The following notice will be used:

To help fight the funding of terrorism and money-laundering activities, the U.S. Congress has passed the USA PATRIOT Act, which requires financial institutions, including insurance companies, to obtain, verify and record information that identifies persons who engage in certain transactions with or through our company. This means that we will verify your name, residential or street address, date of birth and social security number or other tax identification number on the application. We may also ask to see a driver's license or other identifying documents from you².

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REQUIRED CUSTOMER INFORMATION

The following information will be collected for all new insurance and annuity applications:

Name,

Date of birth,

Address,

Identification number, which will be a social security number ("SSN") or taxpayer identification number ("TIN") for U.S. persons or entities,

Photo identification (drivers license or other comparable source) or;

for non-U.S. persons or entities one or more of the following;

Passport number and country of issuance,

Alien identification card number or;

Number and country of issuance of any other government-issued document evidencing nationality or residence and bearing a photograph or other similar safeguard.

VERIFYING INFORMATION

Based on the risk, and to the extent reasonable and practicable, SIC will ensure that it has a reasonable belief of the true identity of its customers. In verifying customer identity, appointed producers shall review photo identification.

SIC shall not attempt to determine whether the document that the customer has provided for identification has been validly issued. For verification purposes, SIC shall rely on a government-issued identification to establish a customer's identity. SIC, however, will analyze the information provided to determine if there are any logical inconsistencies in the information obtained.

SIC will document its verification, including all identifying information provided by the customer, the methods used and results of the verification, including but not limited to sign-off by the appointed producer of matching photo identification³.

Customers Who Refuse To Provide Information

If a customer either refuses to provide the information described above when requested, or appears to have intentionally provided misleading information, the appointed agent shall notify their New Business team. The SIC New Business team will decline the application and notify the AML Compliance Committee.

CHECKING THE OFFICE OF FOREIGN ASSETS CONTROL ("OFAC") LIST

For all (1) new applications received and on an ongoing basis, (2) disbursements (3) new producers appointed or (4) new employees, SIC will check to ensure that a person or entity does not appear on Treasury's OFAC "Specifically Designated Nationals and Blocked Persons" List (SDN List) and is not from, or engaging in transactions with people or entities from, embargoed countries and regions listed on the OFAC Web Site. SIC contracted with ChoicePoint's Bridger Systems to ensure speed and accuracy in the checks. SIC will also review existing policyholders, producers and employees against these lists on a periodic basis. The frequency of the reviews will be documented and retained.

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In the event of a match to the SDN List or other OFAC List, the business unit will conduct a review of the circumstances where such match has been identified. If the business unit is unable to confirm that the match is a false positive, the AML Committee shall be notified.

MONITORING AND REPORTING

Transaction based monitoring will occur within the appropriate business units of SIC. Monitoring of specific transactions will include but is not limited to transactions aggregating \$5,000 or more and those with respect to which SIC has a reason to suspect suspicious activity. All reports will be documented and retained in accordance with the Act.

SUSPICIOUS ACTIVITY

There are signs of suspicious activity that suggest money laundering. These are commonly referred to as "red flags." If a red flag is detected, additional due diligence will be performed before proceeding with the transaction. If a reasonable explanation is not determined, the suspicious activity shall be reported to the AML Compliance Committee.

Examples of red flags are:

- The customer exhibits unusual concern regarding the firm's compliance with government reporting requirements and the firm's AML policies, particularly with respect to his or her identity, type of business and assets, or is reluctant or refuses to reveal any information concerning business activities, or furnishes unusual or suspect identification or business documents.
- The customer wishes to engage in transactions that lack business sense or apparent investment strategy, or are inconsistent with the customer's stated business strategy.
- The information provided by the customer that identifies a legitimate source for funds is false, misleading, or substantially incorrect.
- Upon request, the customer refuses to identify or fails to indicate any legitimate source for his or her funds and other assets.
- The customer (or a person publicly associated with the customer) has a questionable background or is the subject of news reports indicating possible criminal, civil, or regulatory violations.
- The customer exhibits a lack of concern regarding risks, commissions, or other transaction costs.
- The customer appears to be acting as an agent for an undisclosed principal, but declines or is reluctant, without legitimate commercial reasons, to provide information or is otherwise evasive regarding that person or entity.
- The customer has difficulty describing the nature of his or her business or lacks general knowledge of his or her industry.
- The customer attempts to make frequent or large deposits of currency, insists on dealing only in cash equivalents, or asks for exemptions from the firm's policies relating to the deposit of cash and cash equivalents.

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- The customer engages in transactions involving cash or cash equivalents or other monetary instruments that appear to be structured to avoid the \$10,000 government reporting requirements, especially if the cash or monetary instruments are in an amount just below reporting or recording thresholds.
- For no apparent reason, the customer has multiple accounts under a single name or multiple names, with a large number of inter-account or third-party transfers.
- The customer is from, or has accounts in, a country identified as a non-cooperative country or territory by the Financial Action Task Force.
- The customer's account has unexplained or sudden extensive wire activity, especially in accounts that had little or no previous activity.
- The customer's account shows numerous currency or cashiers check transactions aggregating to significant sums.
- The customer's account has a large number of wire transfers to unrelated third parties inconsistent with the customer's legitimate business purpose.
- The customer's account has wire transfers that have no apparent business purpose to or from a country identified as money laundering risk or a bank secrecy haven.
- The customer's account indicates large or frequent wire transfers, immediately withdrawn by check or debit card without any apparent business purpose.
- The customer makes a funds deposit followed by an immediate request that the money be wired out or transferred to a third party, or to another firm, without any apparent business purpose.
- The customer makes a funds deposit for the purpose of purchasing a long-term investment followed shortly thereafter by a request to liquidate the position and transfer of the proceeds out of the account.
- The customer engages in excessive journal entries between unrelated accounts without any apparent business purpose.
- The customer requests that a transaction be processed in such a manner to avoid the firm's normal documentation requirements.
- The customer, for no apparent reason or in conjunction with other red flags, engages in transactions involving certain types of securities, such as penny stocks, Regulation S ("Reg S") stocks, and bearer bonds, which although legitimate, have been used in connection with fraudulent schemes and money laundering activity. (Such transactions may warrant further due diligence to ensure the legitimacy of the customer's activity.)
- The customer's account shows an unexplained high level of account activity with very low levels of securities transactions.
- Attempt to borrow maximum cash value of a single premium policy soon after purchase.

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If the appointed producer:

- Exhibits a dramatic or unexpected increase in sales (particularly of single premium contacts)
- Has consistently high activity in single premium contracts in excess of company averages
- Exhibits a sudden change in lifestyle
- Requests client documentation be delivered to the agent

INVESTIGATION

Upon notification to the AML Compliance Committee of a match to the OFAC SDN List or possible suspicious activity, an investigation will be commenced to determine if a report should be made to appropriate law enforcement or regulatory agencies. The investigation will include, but not necessarily be limited to, review of all available information, such as payment history, birth dates, and address. If the results of the investigation warrant, a recommendation will be made to the AML Compliance Committee to file a blocked assets and/or a SAR with the appropriate law enforcement or regulatory agency. The AML Compliance Committee is responsible for any notice or filing with law enforcement or regulatory agency.

Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. ***Under no circumstances shall any officer, employee or appointed agent disclose or discuss any AML concern, investigation, notice or SAR filing with the person or persons subject of such, or any other person, including members of the officer's, employee's or appointed agent's family. Disclosure of such is strictly prohibited by the Act.***

INFORMATION SHARING

SIC are eligible to share information with other financial institutions under the USA PATRIOT Act for purposes of identifying and reporting activities that may involve terrorist acts or money laundering activities and to determine whether to establish or maintain a policy or engage in a transaction. The final rule (section 103.110) became effective Sept. 26, 2002. Registration with FinCEN is required prior to any information being shared between financial institutions. The AML Compliance Committee will register each SIC with FinCEN individually to facilitate appropriate information sharing under the USA PATRIOT Act. The notice form found at www.fincen.gov will be used. SIC will employ strict procedures both to ensure that only relevant information is shared and to protect the security and confidentiality of this information.

RECORDKEEPING

The AML Compliance Committee will be responsible to ensure that AML records are maintained properly and that SARs and Blocked Property Reports are filed as required. SIC will maintain AML records for at least five years. The five-year retention period will be applied for five years after the policy or contract is surrendered, lapsed, terminated by death, or closed for any reason.

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TRAINING

SIC contracted with LIMRA International, Inc. to provide general AML training to its officers, employees and appointed producers to ensure awareness of requirements under the Act. The training will include, at a minimum: how to identify red flags and signs of money laundering; what roles the officers, employees and appointed producers have in the SIC compliance efforts and how to perform such duties and responsibilities; what to do once a red flag or suspicious activity is detected; SIC record retention policy; and the disciplinary consequences for non-compliance with the Act and this Policy.

In addition, each affected area will provide enhanced training in accordance with the procedures developed in each area for officers and employees reasonably expected to handle money, requests, or processing that may bring them into contact with information designated above.

A producer may be appointed with another insurance company or a broker-dealer subject to the AML requirements under Section 352 of the USA PATRIOT Act and have received other AML training. The SIC AML Compliance Committee may rely upon such training as satisfying SIC AML training requirements if it has been certified by the AML Compliance Officer or other appropriate authority of such other company as having been completed and such training includes the required core elements as determined by the AML Compliance Committee.

In the event a producer receives training via a third party not subject to the AML requirements under Section 352 of the USA PATRIOT Act, SIC AML Compliance Committee will determine whether such training meets the requirements of the SIC AML training program.

Training will be conducted on an annual basis. The SIC AML Compliance Committee will determine the ongoing training requirements and ensure written procedures are updated to reflect any changes required in such training. SIC will maintain records to document that training has occurred⁴.

TESTING OF THE POLICY

The testing of the Policy will be conducted by an outside independent third party in 2007 and annually thereafter. Any findings will be reported to the AML Compliance Committee, SFG Audit Committee and Senior Management for appropriate action.

ADMINISTRATION

The AML Compliance Committee is responsible for the administration, revision, interpretation, and application of this Policy. The Policy will be reviewed annually and revised as needed.

¹ The Customer Identification Program shall be implemented by December 31, 2006.

² The Customer Notice shall be incorporated by December 31, 2006.

³ Sign-off by appointed producer shall be required by December 31, 2006.

⁴ Initial training shall be completed by December 31, 2006 and annually thereafter.