

Variable Insurance Products: Current Advertising Issues

Advertising Regulation Conference

Washington, DC | October 8 – 9, 2015

**Variable Insurance Products:
Current Advertising Issues
October 8, 2015
3:15 p.m. – 4:45 p.m.**

Panelists from FINRA and the industry conduct this interactive session, first with an overview of the essentials for creating compliant communications, followed by a discussion of selected topics, including supplemental hypothetical illustrations, complex structures of contracts and investment options, product comparisons and related regulatory challenges. The discussion also explores the different marketing techniques and channels firms use to promote variable insurance products and the compliance approaches taken for each.

Moderator: Prमित K. Das
Assistant Director
FINRA Advertising Regulation

Panelists: Richard T. Choi
Shareholder
Carlton Fields Jordan Burt, P.A.

Joseph S. George
Supervisor
FINRA Advertising Regulation

Rafaella Herrera
Corporate Vice President
New York Life Insurance Company

- I. Introduction
- II. Current Issues and Trends
- III. Creating a Variable Product Communication:
 - A. Content
 - B. Performance
- IV. Selected Topics:
 - A. Supplemental Hypothetical Illustrations
 - B. Complexity of Contracts and Investment Options
 - C. Comparisons
- V. Select Issues from an Industry Perspective:
 - A. Overview of Specific Products
 - B. Compliance Review Process
 - C. Challenges
 - D. Do's and Don'ts – How to Avoid Crossing the Lines
- VI. Selected Issues from a Legal Perspective:
 - A. Definition and Standards of "Materiality"

- B. Audience/Context
- C. Substantiating Claims
- D. Disclosure
- E. Process

VII. Questions and Answers

Advertising Regulation Conference

Washington, DC | October 8 – 9, 2015

Variable Insurance Products: Learning Objectives

By the end of the session, you should know:

1. Some of the current issues and trends.
2. How to create a variable product communication with respect to:
 - content; and
 - performance.
3. How to address selected topics, such as:
 - supplemental hypothetical illustrations;
 - complexity of contracts and investment options; and
 - comparisons.
4. A firm's perspective on the:
 - compliance review process;
 - typical regulatory challenges faced; and
 - do's and don'ts established to avoid "crossing the line."
5. The legal perspective on:
 - the definition and standards of "materiality;"
 - the importance of audience/context, substantiating claims, and disclosure; and
 - a successful review process.
6. Where to look for additional resources and guidance.

Variable Insurance Products

Advertising Regulation Conference
October 8 - 9, 2015 • Washington, DC



Variable Insurance Products: Current Advertising Issues

Moderator: Primit K. Das
Assistant Director, Advertising Regulation

Panelists: Richard T. Choi
Shareholder
Carlton Fields Jordan Burt, P.A.

Joseph S. George
Manager, Advertising Regulation

Rafaela Herrera
Corporate Vice President
New York Life Insurance Company



Reference Materials

Including:

- General do's and don'ts
- Questions to ask when reviewing material for compliance
- Guidance on illustrations and performance
- Sample ads depicting common concerns
- List of resources with link to additional topics



Current Issues and Trends

- Complexity of products and marketing materials
- Alternative investment options
- Sales and marketing of “L” shares
- Suitability of sales to senior investors
- FINRA focus on 1035 exchanges and unsuitable sales:
 - Assessments of compensation structures
 - Suitability of recommendations
 - Claims by representatives about products
 - Adequacy of disclosures
 - Training and testing of product knowledge



Creating a Variable Product Communication

Content:

- Identify and provide a sound basis to evaluate the product.
- Address the risks.
- Disclose fees, tax liabilities and potential penalties.
- Balance any discussion of investment features with a discussion of the insurance component.
- Disclose the long-term nature of a VA, *particularly for retirement*.
- If addressing riders, clearly explain how they work.
- Explain limitations of any guarantees mentioned.



Creating a Variable Product Communication

Performance

- **Variable Annuities:**
 - Apply SEC Rule 482 or 34b-1.
 - Net of fees & expenses.
 - Keyed off inception date of separate account.
- **Variable Life:**
 - Apply FINRA Rule 2210(d)(1)(A).
 - At a minimum, deduct investment option management fees.
 - Prominently disclose fees/charges deducted & not deducted.



Selected Topics

Supplemental Hypothetical Illustrations:

- Weighted Average Expense
- Random Rate
- Split Annuity
- Rider
- Historical Performance



Selected Topics

Complexity of Contracts and Investment Options:

- Riders
 - Crediting Methods
 - Caps & Buffers
 - Risks
- Alternative Investments
- Managed Volatility Funds



Selected Topics

Comparisons:

- Product-to-product
- Investor driven vs. advisor driven
- Tax treatment

Industry Perspective

- Overview of specific variable products
- Distribution
- Compliance review process
- Challenges
- Do's and don'ts – how to avoid crossing the lines

Overview of Specific Variable Products

New York Life Variable Universal Life:

- **Retail product: distributed through New York Life’s Agency Distribution Channel (NYLIFE Securities LLC Registered Representatives).**
- **Institutional products: distributed through third-party broker-dealers.**
 - Corporate Owned Life Insurance - “COLI”
 - Bank Owned Life Insurance - “BOLI”



Overview of Specific Variable Products

New York Life Variable Annuities:

- **Retail products: offered through New York Life’s Agency Distribution Channel (NYLIFE Securities LLC Registered Representatives).**



Compliance Review Process

- Collaborative
- Proactive
- Educational

Challenges

- Competitive business environment
- More complex products
- Highly sensitive regulatory environment

Do's and Don'ts – How to Avoid Crossing the Line

■ Do's:

- Be part of the solution not the problem
- Educate your marketing partners
- Know the products well and understand the business need

■ Don'ts:

- Index performance
- Comparisons
- Story of investment performance
- Investment strategies



Securities Act § 12 Civil Liabilities

Applies to prospectuses and oral communications that:

- Contain untrue statements of a material fact
- Omit a material fact necessary to make the statements, in light of the circumstances under which they were made, not misleading



Materiality

SEC Rule 405 definition:

“The term *material*, when used to qualify a requirement for the furnishing of information as to any subject, limits the information required to those matters to which there is a **substantial likelihood** that a **reasonable investor** would attach **importance** in determining whether to purchase the security registered.”



Materiality

What might be material?

- Accuracy of performance
- Contributors to performance
- Fees and charges
- Risks
- Product guarantees and features
- Assumptions used in illustrations



Audience/Context

Retail Investors:

- Main street
- Sophisticated investors
- Seniors, non-English speaking, other special considerations

Institutional Investors:

- Broker-dealer only



Substantiating Claims

Verify that it is:

- Accurate and complete
- Bona fide
- Current



Disclosures

- Living benefits
- Fixed, indexed, MVA, and other accounts
- Fees and charges
- Complexity
- Disclosure “creep”
- Disclosure placement
- Performance
- Error correction



Process

- Prepare early
- Review iteratively
- Approve appropriately
- Make filings completely
- Include partners broadly
- Train and educate continually





Questions and Answers



Variable Insurance Products: Common Advertising, Suitability and Sales Practice Issues Detailed Reference Materials



Variable Insurance Products: Guidance on Applicable Rules and Interpretations

- Overview of Applicable Advertising Rules
- Variable Annuities
 - General Do's and Don'ts (with examples)
 - Hypothetical Illustrations (various scenarios)
 - Riders Overview and Illustrations
 - Historical Performance (various scenarios)
 - Questions to Ask
- Variable Life Insurance
 - General Do's and Don'ts (with examples)
 - Hypothetical Illustrations (various scenarios)
 - Historical Performance (various scenarios)
 - Questions to Ask
- Sales Practice and Suitability Issues
- Product Innovations



Overview of Applicable Advertising Rules

- FINRA Rule 2210 (Communications with the Public)
- IM-2210-2 (Variable Product Guidelines)
- FINRA Rule 2212 (Use of Investment Companies Rankings in Retail Communications)
- FINRA Rule 2214 (Requirements for the Use of Investment Analysis Tools)
- SEC Rule 482
- SEC Rule 34b-1
- SEC Rule 135a



Advertising Regulation Conference • © 2015 FINRA. All rights reserved.

General Do's of Variable Annuity Sales Material

- Identify the product being offered as a variable annuity.
- Adequately address the risks, fees and expenses including contingent deferred sales charges, mortality and expense risk charges, administrative fees and annual contract fees.
- Disclose tax liabilities and penalties for certain triggering events such as early withdrawal.
- Accompany discussions highlighting the tax-deferred nature of the product with a clear indication that earnings will be taxed as ordinary income upon withdrawal.
- Fully describe the extent of any "guarantee" and ratings for financial strength referred to in the communication and indicate that any guarantees or ratings are based on the claims-paying ability of the issuing life insurance company.
- Refer to a variable annuity's investment options as investment accounts, investment options, underlying funds or portfolios.
- Adequately address the fees and costs associated with any riders promoted.
- Balance a description of the benefits of a rider with an explanation of its limitations and restrictions.
- Ensure material that promotes riders provides a sound basis to evaluate the variable annuity.
- Include a reference to both the variable annuity contract prospectus and the underlying funds prospectus, as appropriate, within prospectus offering statements.



Advertising Regulation Conference • © 2015 FINRA. All rights reserved.

Have peace of mind and a care-free retirement.

Our strategies will guarantee that you reach your income goals!

Register for a luncheon to find out how to obtain secure income throughout your retirement. Space is limited so call 1-888-555-5555 to reserve your seat.



Withdrawals of earnings will be subject to ordinary income tax and, if taken prior to age 59 ½, may be subject to a 10% federal tax penalty. Withdrawals may also be subject to surrender charges. There are fees and charges associated with annuities, including mortality and expense charges, administrative fees and annual contract fees.

You should consider the investment objectives, risks, charges and expenses of an investment carefully before investing. The prospectus contains this and other important information. Prospectuses for both the variable annuity contract and the underlying funds are available from your financial professional. Please read all prospectuses carefully before investing.

Securities offered through High Tide Securities, LLC.



Main Concerns:

- Fails to:
 - identify the product being offered as a variable annuity;
 - adequately address risks;
 - state that all guarantees are based on the claims-paying ability of the issuer; and
 - balance the description of the benefits of the rider with an explanation of its limitations and restrictions.
- Prospectus offer fails to comply with SEC Rule 482(b)(5).
- "Peace of mind," "care-free retirement," "Our strategies will guarantee that you reach your income goals," and "how to obtain secure income" claims are unwarranted, misleading and exaggerated.

General Don'ts of Variable Annuity Sales Material

- Represent or imply that a variable annuity's investment options are mutual funds, or use mutual fund logos when describing the investment options.
- Imply that a variable annuity is "liquid" or appropriate for a short-term investment.
- Imply that the issuer's ratings for financial strength and claims-paying ability apply to the underlying investment options.
- Highlight the fixed account's current rate of return in lieu of a complete discussion of the variable annuity's investment options.
- Promote a variable annuity based solely on a specific feature, such as a bonus credit or a rider.



DOES NOT COMPLY

Do you want an easy breezy retirement?

Invest in the *Ocean Breeze Variable Annuity* which offers:

- o Easy access to money
- o Option to add death benefits
- o AA+ Ratings
- o A variety of mutual funds
- o Tax-deferred growth potential
- o For a limited time, get a 4% bonus

Variable Annuities are suitable for long-term investing, particularly for retirement, and are subject to market risk, including loss of principal.

Call today to speak with an annuity expert.

Read the prospectus carefully before investing.
Distributed through High Tide Securities, LLC.



Main Concerns:

- Fails to adequately address fees and expenses.
- Implies that the variable annuity is "liquid" or appropriate for a short-term investment.
- States that the variable annuity's investment options are mutual funds.
- Implies that the issuer's ratings apply to the underlying investment options by failing to explain the rating.
- Fails to disclose tax liabilities and penalties for certain triggering events such as early withdrawal.
- Fails to disclose that withdrawals will be taxed as ordinary income.
- Does not explain bonus or disclose fees and charges may be higher.
- Prospectus offer fails to comply with SEC Rule 482(b)(1) and (b)(5).

Variable Annuity Hypothetical Illustrations Basic Illustration (Assumed Rate of Return)

- Disclose prominently that the illustration is hypothetical, is intended to show how the performance of the underlying investment accounts could affect the policy cash value and contract benefits, and does not predict or project future performance.
- Use an assumed gross rate of return (maximum 12%) that is reasonable in light of market conditions; disclose both the gross and the resulting net rates used.
- Include an assumed gross rate of return of 0% and disclose the 0% gross and resulting net rates used.
- Reflect the maximum guaranteed charges for each assumed rate of return.
- Reflect an arithmetic average of all expenses of investment options.
- Depict year-by-year account values.
- If the illustration exceeds ten years, then it may depict account values for years 1 – 10, for every five years beyond the 10th year, and for the final year.
- Clearly identify all values and rates of return.

COMPLIES WITH EXISTING STANDARDS (excerpt from illustration)

Variable Annuity Illustration

Illustration Details:		Assumptions:	
Type of Contract	Non-Qualified	Purchase Payment	\$100,000
		Enhanced Death Benefit	
		Rate of Return - Gross	0.00%
Surrender Schedule	7 Years	Rate of Return - Net	-2.77%

Year	Age	Purchase Payment	Account Value	Surrender Value	Enhanced Death Benefit	Total Death Benefit
1	66	\$100,000	\$97,230	\$90,652	-	\$100,000
2	67		\$94,537	\$88,969	-	\$100,000
3	68		\$91,918	\$87,303	-	\$100,000
4	69		\$89,372	\$85,653	-	\$100,000
5	70		\$86,896	\$84,020	-	\$100,000
6	71		\$84,489	\$82,405	-	\$100,000
7	72		\$82,149	\$82,149	-	\$100,000
8	73		\$79,873	\$79,873	-	\$100,000
9	74		\$77,661	\$77,661	-	\$100,000
10	75		\$75,510	\$75,510	-	\$100,000

The illustration is hypothetical and is intended to show how the performance of the underlying investment accounts could affect the annuity's account value and death benefit, and is not intended to predict or project investment results.

The rates of return used are purely hypothetical and do not represent actual returns of any variable annuity subaccount, which will fluctuate. The hypothetical 0% gross rate of return is adjusted to reflect the maximum guaranteed expenses such as the 1.05% mortality and expense risk charge, the 0.15% administrative fee, the 0.15% distribution fee, the 0.40% charge for the Enhanced Death Benefit, and the average fund management fee of 1.02% (the \$50 account fee is waived if the account value exceeds \$50,000 on the account anniversary and is therefore not reflected) and results in a -2.77% net rate of return being illustrated. The Surrender Value column reflects the Contingent Deferred Sales Charges, which decline from 8%, 8%, 7%, 6%, 5%, 4%, 3%, and 0% each year during the 7 year period, and all other contract fees and charges. The presented values do not reflect federal or state ordinary income taxes and the IRS 10% penalty for withdrawals before age 59 1/2. This report is not complete unless all pages are included.

COMPLIES WITH EXISTING STANDARDS (excerpt from illustration)

Variable Annuity Illustration

Illustration Details:		Assumptions:	
Type of Contract	Non-Qualified	Purchase Payment	\$100,000
		Enhanced Death Benefit	
		Rate of Return - Gross	7.00%
Surrender Schedule	7 Years	Rate of Return - Net	4.23%

Year	Age	Purchase Payment	Account Value	Surrender Value	Enhanced Death Benefit	Total Death Benefit
1	66	\$100,000	\$104,230	\$ 97,092	\$3,173	\$107,403
2	67		\$108,639	\$102,084	\$6,479	\$115,118
3	68		\$113,234	\$107,340	\$9,926	\$123,160
4	69		\$118,024	\$112,873	\$13,518	\$131,542
5	70		\$123,017	\$118,696	\$17,262	\$140,279
6	71		\$128,220	\$124,824	\$21,165	\$149,385
7	72		\$133,644	\$133,644	\$25,233	\$158,877
8	73		\$139,297	\$139,297	\$29,473	\$168,770
9	74		\$145,189	\$145,189	\$33,892	\$179,081
10	75		\$151,331	\$151,331	\$38,498	\$189,829

The illustration is hypothetical and is intended to show how the performance of the underlying investment accounts could affect the annuity's account value and death benefit, and is not intended to predict or project investment results.


The rates of return used are purely hypothetical and do not represent actual returns of any variable annuity subaccount, which will fluctuate. The hypothetical 7% gross rate of return is adjusted to reflect the maximum guaranteed expenses such as the 1.05% mortality and expense risk charge, the 0.15% administrative fee, the 0.15% distribution fee, the 0.40% charge for the Enhanced Death Benefit, and the average fund management fee of 1.02% (the \$50 account fee is waived if the account value exceeds \$50,000 on the account anniversary and is therefore not reflected) and results in a 4.23% net rate of return being illustrated. The Surrender Value column reflects the Contingent Deferred Sales Charges, which decline from 8%, 8%, 7%, 6%, 5%, 4%, 3%, and 0% each year during the 7 year period, and all other contract fees and charges. The presented values do not reflect federal or state ordinary income taxes and the IRS 10% penalty for withdrawals before age 59 1/2. This report is not complete unless all pages are included. The hypothetical 0% gross rate of return values are illustrated on page 2 of this report.

Variable Annuity Hypothetical Illustrations Weighted Average Expenses

- An illustration may reflect a weighted average of investment options expenses provided that:
 - it conforms to the basic illustration (assumed rates of return) requirements;
 - the investment options used are identified;
 - the amount allocated to each investment option is disclosed;
 - each included fund's expenses are disclosed; and
 - if used with more than one customer, must reflect the current actual weighted average of investment options held by all investors and must be accompanied by an illustration based on an arithmetic average of fund expenses (separately or in the prospectus).



Advertising Regulation Conference • © 2015 FINRA. All rights reserved.



COOL BREEZE FOR LIFE

Illustration Using Weighted Average Expenses

DOES NOT COMPLY

Illustration Details:

Type of Contract	*Tax-Qualified Standard Death Benefit Surrender Schedule	7 Years
------------------	--	---------

Assumptions:

Gross Hypothetical Rate of Return	8.10%
Net Hypothetical Rate of Return	6.00%
Purchase Payment Credit	1.00%
Purchase Payment	\$100,000

Year	Age	Purchase Payment (+/- Credits)	Withdrawal Amount	Contract Value	Surrender Value	Total Death Benefit
1	66	\$101,000	\$5,865	\$111,426	\$105,854	\$111,426
2	67		\$5,785	\$109,919	\$104,423	\$109,919
3	68		\$5,980	\$113,612	\$107,932	\$113,612
4	69		\$5,511	\$104,705	\$99,469	\$107,932
5	70		\$6,236	\$118,478	\$112,554	\$118,478
6	71		\$6,305	\$119,791	\$113,802	\$119,791
7	72		\$6,713	\$127,538	\$121,161	\$127,538
8	73		\$7,014	\$133,265	\$133,265	\$133,265
9	74		\$7,057	\$134,084	\$134,084	\$134,084
10	75		\$6,835	\$129,863	\$129,863	\$129,863
			\$63,301	\$129,863	\$129,863	\$129,863

*See Important Additional Information. *Tax-Qualified Annuities.*

The rates of return used are purely hypothetical and do not represent actual returns of any variable annuity subaccount, which will fluctuate. This hypothetical illustration represents a before tax, hypothetical net average rate of return of 6.00%. The Hypothetical Net Return reflects Purchase Payment Credits and the deduction of the following fees: the guaranteed maximum Mortality and Expense risk fee of 0.85% and 1.25%, which is the weighted average of the gross total annual expenses of the funds available in the contract. The Surrender Values reflect the Contingent Deferred Sales Charges and other contract fees and charges. The Contract Values do not reflect federal or state ordinary income taxes and the IRS 10% penalty for withdrawals before age 59 1/2. **This illustration is not complete without all pages.**

Main concerns:

- Fails to:
 - identify the underlying options being used and the amount of purchase payment allocated to each fund;
 - disclose the amount of each fund's expenses; and
 - illustrate a 0% gross rate of return.

Variable Annuity Hypothetical Illustrations Historical Performance

- May be based on historical performance of individual investment options or combinations of investment options available through a separate account using assumed dollar investments.
- Must present dollar values net of fees imposed at the investment option level.
- Variable annuity illustrations must also be net of all expenses required to be deducted pursuant to SEC Rule 482.
- Prominently explain that the illustration is based on a hypothetical dollar amount invested.
- Prominently explain that the illustration is not intended to predict or project future performance.
- Prominently disclose the name(s) of the investment option(s) used.
- Prominently disclose the percentage allocated to each investment option used.
- Disclose that the investment options depicted are not the only ones offered within the product.
- The illustrations must be accompanied by compliant historical performance of each investment option used.

Note: Inclusion of a 0% rate of return is not necessary since this type of hypothetical illustration is based on the actual historical performance of an investment option(s) and not on an assumed rate of return projected into the future.



Advertising Regulation Conference • © 2015 FINRA. All rights reserved.

DOES NOT COMPLY
(excerpt from illustration)



Illustration Based on Historical Performance

Ocean Breeze Variable Annuity

This illustration is based on a hypothetical dollar amount invested and is intended to show how the performance of the underlying investment options would have affected the annuity's account value and death benefit and is not intended to predict or project future investment results.

Date	Year	Age	Purchase Payments	Account Value	Rate of Return	Surrender Value	Enhanced Death Benefit	Death Benefits	Total Death Benefit
2007	1	66	\$100,000	\$101,149	1.15%	\$94,257	\$517	\$101,666	\$101,666
2008	2	67	\$0	\$120,090	18.73%	\$112,090	\$9,041	\$129,131	\$129,131
2009	3	68	\$0	\$126,044	4.96%	\$119,044	\$11,720	\$137,764	\$137,764
2010	4	69	\$0	\$122,402	-2.89%	\$116,402	\$10,081	\$132,483	\$132,483
2011	5	70	\$0	\$147,010	20.10%	\$142,010	\$21,155	\$168,165	\$168,165
2012	6	71	\$0	\$173,681	18.14%	\$169,681	\$33,157	\$206,838	\$206,838
2013	7	72	\$0	\$182,513	5.09%	\$179,513	\$37,131	\$219,644	\$219,644
2014	8	73	\$0	\$188,827	3.46%	\$188,827	\$39,972	\$228,799	\$228,799
Summary			\$100,000		10.54%				

Results reflect maximum fees such as the 1.05% mortality and expense charges, the 0.15% administration fee, the 0.15% distribution fee, the 0.40% charge for the Enhanced Death Benefit and the fund management fees of the investment options illustrated (the \$40 annual contract fee is waived if the account value is greater than \$100,000 on the account anniversary). The Surrender Value column also reflects the maximum 8% surrender charge which declines from 8%, 8%, 7%, 6%, 5%, 4%, 3%, 0% each year during the 8 year period.

Although not illustrated, withdrawals of taxable amounts may be subject to ordinary income tax and, if taken prior to age 59 1/2, a 10% federal tax penalty. Withdrawals may also be subject to surrender charges if they exceed the annual free withdrawal amount. Withdrawals will reduce contract values, death benefits and any other additional benefits. Please see the prospectus for additional details. This illustration is not complete without all pages.

High Tide Securities, LLC.

Main concerns:

- Fails to prominently identify the underlying options being used and the percentage of purchase payment allocated to each fund.
- Fails to disclose that the investment options depicted are not the only ones offered within the product.
- Fails to include the standardized performance for the investment options used and disclosures required by SEC Rule 482.

Variable Annuity Hypothetical Illustrations Tax-Deferral

- Use identical gross investment rates of return for both taxable and tax-deferred performance.
- Tax-deferred portion must reflect charges and fees or include disclosure identifying the specific charges and fees of the variable annuity. Further, if the charges and fees are not reflected in the illustration, then disclose this fact and state that had they been reflected, the return of the tax-deferred product would be lower.
- Use and identify actual federal tax rates.
- May also reflect an actual state tax rate for use in that state only.
- Tax rates must reasonably reflect the tax bracket of the intended audience.
- Use reasonable time period and investment return assumptions.
- Disclose that lower maximum tax rates on capital gains and dividends would make the return of the taxable investment more favorable, thereby reducing the difference in performance between the accounts shown.
- Disclose underlying assumptions (e.g., disclose that upon withdrawal, tax-deferred performance would be reduced by income taxes on the gains) and address the potential 10% federal tax penalty for withdrawals prior to age 59 ½.
- Advise customers to consider their personal investment horizon and income tax bracket, both current and anticipated, when making an investment decision as these may further impact the results of the comparison.
- Disclose that lower maximum tax rates on capital gains and dividends would make the investment return for the taxable investment more favorable, thereby reducing the difference in performance between the accounts shown.
- Disclose that the rate of return in the illustration is hypothetical and does not reflect the return of any product.



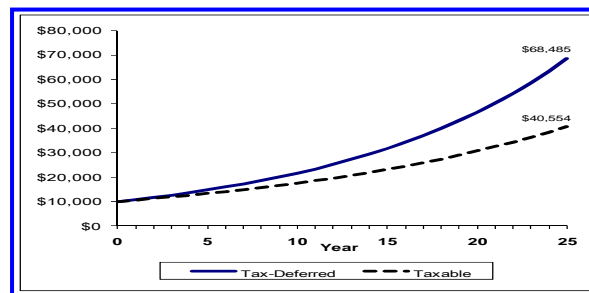
Advertising Regulation Conference • © 2015 FINRA. All rights reserved.

Hypothetical Tax-Deferral Illustration

DOES NOT COMPLY

THE POWER OF TAX DEFERRAL

Your money has tax-deferred growth potential!



This hypothetical illustration assumes a \$10,000 lump sum investment, a 28% income tax bracket and 8% gross rate of return over a 25-year period. However, lower maximum tax rates on capital gains and dividends would make the investment return for the taxable investment more favorable. Changes in tax rates and tax treatment of investment earnings may impact the comparative results. Withdrawals of earnings from the tax-deferred account will be subject to ordinary income tax and, if taken prior to age 59 ½, a 10% federal tax penalty.



**High Tide Securities,
LLC.**

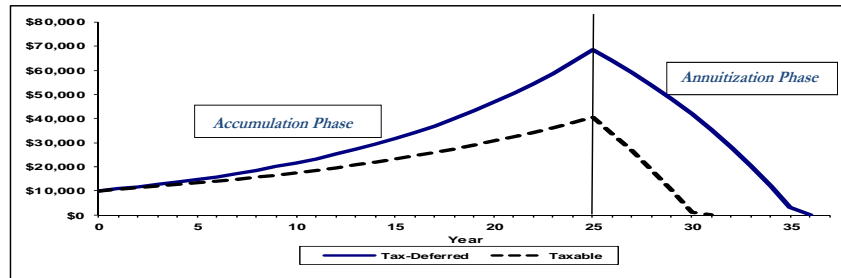
Main concern:

> Omits some of the disclosures required for hypothetical tax-deferral illustrations in variable annuity communications.



Hypothetical Tax-Deferral Illustration

DOES NOT COMPLY



TAX-DEFERRED VS. TAXABLE INVESTING

A comparison between the annuitization phase of the tax-deferred and taxable accounts after the 25-year accumulation phase.

As reflected in the annuitization phase of this hypothetical illustration, the tax-deferred account lasts 5 years longer than the taxable account, resulting in significantly more income during retirement.

High Tide Securities, LLC.

Main concerns:

- > The inclusion of an annuitization phase (i.e., payouts in years 25 through 36) exceeds the purpose of illustrating the tax-deferred treatment of earnings during the accumulation phase and, therefore, should not have been illustrated.
- > In addition, the annuitization phase misleadingly implies that the amounts depicted are representative of the payout that investors could expect to receive from each account.
- > Omits the disclosures required for hypothetical tax-deferral illustrations in variable annuity communications.

Variable Annuity Hypothetical Illustrations Split Annuities

- Illustrations showing an initial premium split between the separate account of a variable contract and its fixed account option must not combine the actual historical performance of the separate account with the hypothetical or projected performance of the fixed account. This type of illustration is prohibited because it implies that the historical performance of the separate account may be repeated in the future.
- Illustrations using fictitious or hypothetical projected performance for the fixed account and hypothetical projected performance for the separate account may not be used. This type of illustration is prohibited because it projects account values for the fixed account and the investment options within the separate account.
- Illustrations using only the historical performance of both the separate and fixed accounts may be used. However, the historical performance of the separate account must comply with SEC Rule 482.
- Illustrations using the fixed account's current or guaranteed interest rate and a reference to the potential growth of the separate account (i.e., without using any hypothetical values) may be used.

DOES NOT COMPLY

Hypothetical Illustration of a Split Variable Annuity

Hypothetical Illustration for Owner Age 50 Total Premium Paid: \$100,000

Fixed Account	
Premium allocation: \$77,000	
Contract Year	Fixed Account Values
1	80,850
2	84,893
3	89,137
4	93,593
5	98,051

Variable Separate Account	
Premium allocation: \$23,000	
Contract Year	Historical Growth
1	24,957
2	27,081
3	29,386
4	31,887
5	34,600

The total combined value is \$132,651 after 5 years.



How you can achieve this result:

Principal Guarantee of the Fixed Account at a hypothetical 5.00% return + Historical Growth of the Separate Account at 8.51% return (based on the Large Growth Fund's historical performance) leaves the investor with a combined value of \$132,651 after 5 years.

High Tide Securities, LLC.

Main concerns:

- The presentation of the separate account's historical performance together with the hypothetical return of the fixed account implies that the historical performance may be repeated in the future.
- Fails to include standardized performance for the investment options used.
- Fails to include a prospectus offer and the performance related disclosures, in accordance with SEC Rule 482.

Variable Annuity Hypothetical Illustrations Stretch IRAs

- Clearly explain that stretch IRAs are designed for investors who will not need the money in the account for their own retirement needs.
- Disclose the various factors affecting an investor's decision such as possible changes to tax laws, the impact of inflation and other risks.
- Explain that the stretch feature is not limited to variable annuities; do not imply that the strategy is unique to the product.
- Show the rate and age at which each distribution begins.
- Use reasonable rates of return and time periods.
- Address the impact of fees and charges.
- Illustrate the variable annuity within the context of a compliant variable product hypothetical pay-in/pay-out illustration.

Variable Annuity Riders Overview

- Riders are generally optional features offering investors additional insurance guarantees at an additional cost.
- Common riders seen by Advertising Regulation:
 - Guaranteed Minimum Income Benefit (GMIB), which guarantee income payments.
 - Guaranteed Minimum Withdrawal Benefit (GMWB), which offer investors the ability to schedule guaranteed partial withdrawals of a specific amount.
 - Guaranteed Minimum Death Benefit (GMDB), which offer investors a guaranteed death benefit that enhances the basic death benefit (e.g., a step-up feature).
 - Guaranteed Minimum Accumulation Benefit (GMAB), which guarantee investors a set increase in their account value each year for a set period of time, if the account value without the guarantee does not grow to the same extent via market performance.
- Costs for variable annuity riders vary widely and could result in a significant portion of the cost of an annuity.
- Riders may have current (less expensive) and guaranteed (more expensive) expense charges.



Advertising Regulation Conference • © 2015 FINRA. All rights reserved.

Variable Annuity Riders Things to Remember

- Sales communications that discuss and illustrate riders must still provide a sound basis to evaluate the variable annuity; the rider must not be overemphasized.
- Disclose that it is an optional feature of the contract and may not benefit all investors.
- Disclose all the fees and charges associated with the rider.
- Deduct the maximum fee for the rider from hypothetical illustrations.
- Presentations of riders must clearly set forth the potential impact that they would have on both the annuitant and the beneficiary.
- Possible ways to illustrate variable annuity riders:
 - Graphically represent them.
 - Incorporate them into variable annuity hypothetical pay-in/pay-out illustrations when using dollar values.



Advertising Regulation Conference • © 2015 FINRA. All rights reserved.

Variable Annuity Riders Common Compliance Concerns

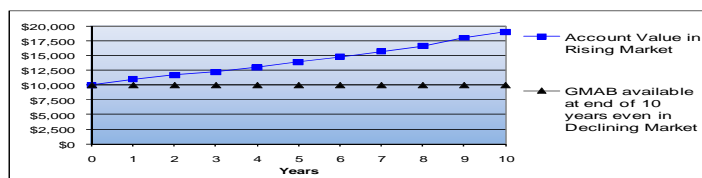
- Overemphasizing the optional riders to sell the variable annuity itself.
- Overemphasizing the rider guarantees.
- Omitting disclosure of rider fees and other limitations.
- Omitting disclosure on the impact of the additional fees on account values.
- Non-compliant hypothetical illustrations.
- Failing to deduct maximum fee for rider being shown.
- Failing to disclose, as applicable, the impact of excess withdrawals on a guarantee, such as a Guaranteed Minimum Withdrawal Benefit rider.
- Failing to disclose, as applicable, that if an investor selects a guaranteed rider their choice of investment options may be limited.



Advertising Regulation Conference • © 2015 FINRA. All rights reserved.

DOES NOT COMPLY

Guaranteed Minimum Accumulation Benefit (GMAB) Rider Illustration Using Dollar Values



This hypothetical illustration assumes an initial investment of \$10,000 and a 7% hypothetical rate of return and assumes no fees or expenses. The chart does not reflect the mortality and expense risk charge of 1.35%, the administrative charge of \$30 or the management fees associated with the underlying investment options. The purpose of this illustration is to show how the GMAB rider works in a rising market and is not indicative of the performance of any investment.



High Tide Securities, LLC.

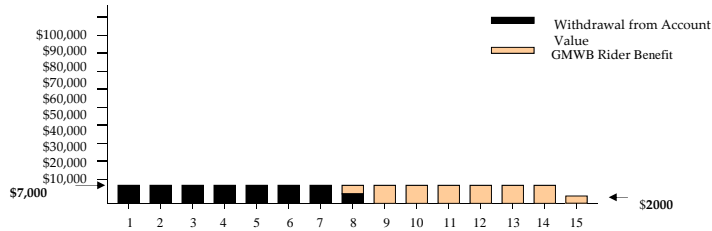
Main concerns:

- Fails to:
 - include and explain a 0% gross rate of return to illustrate the impact of negative market performance on the account value;
 - disclose the various fees, such as the rider fee and management fees;
 - reflect the deduction of all fees and expenses;
 - provide a clear explanation of the graph;
 - disclose that the illustration is intended to show how the performance of the underlying investment options could affect the annuity's account value and death benefit and is not intended to predict or project investment results; and
 - explain the features, limitations and restrictions of the rider.

DOES NOT COMPLY

Guaranteed Minimum Withdrawal Benefit (GMWB) Rider Illustration Using Dollar Values

In a down market your purchase payments decline in value. But, with the GMWB Rider in our Variable Annuity, your purchase payments are guaranteed to be returned to you.



This hypothetical illustration assumes a \$100,000 initial investment in the first contract year with a 7% annual withdrawal and a hypothetical return of negative 10% per year.

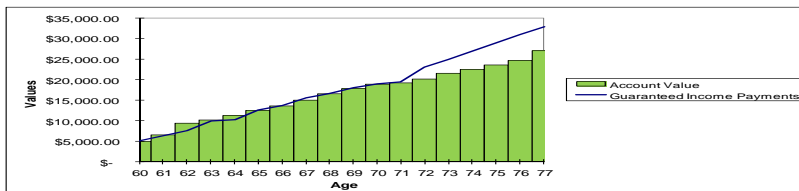
Main concerns:

- Fails to include a tabular illustration:
 - depicting the declining account value (e.g., include a downward sloping line representing account value). Note: Rate of return for declining account values should not be an exaggerated rate of return; and
 - Depicting the benefit base value.
- Fails to:
 - explain the benefit base and how it differs from the account value;
 - disclose the conditions, limitations and restrictions of the rider;
 - disclose that the illustration is not intended to predict or project investment results; and
 - disclose all fees and charges associated with the rider.

DOES NOT COMPLY

Guaranteed Minimum Income Benefit (GMIB) Rider Illustration Using Dollar Values

While your account value will fluctuate along with market gyrations, the Guaranteed Minimum Income Benefit ensures that your income base will not. In fact, because of GMIB guarantees, your income base only increases over time as shown below.



This illustration shows how the GMIB feature works. As illustrated here, an investor's income base will not fluctuate like the account value. Be advised that this illustration is not a representation of past, present or future performance of any investment product. The rate of return on which the account value is based is randomly selected to illustrate the GMIB. No fees have been deducted. For more information on fees, please consult the prospectus.

Main concerns:

- Chart needs to depict the annual income amount.
- Chart and related disclosure exaggerate the benefits of a GMIB relative to an investment in a variable annuity.
- There is no 0% gross rate of return as required.
- The brief reference to the GMIB fee is insufficient; cannot rely on the prospectus for disclosure of necessary information.
- Does not include the depiction of the constant rate of return associated with the random rate of return illustrated.
- No tabular illustration showing the varying rate of return, the constant average of varying rate of return, and the fixed rate of return reflecting contract, fund and rider charges.

Variable Annuity Historical Performance

- In accordance with SEC Rule 482 or 34b-1.
- Average annual total returns.
- One-, five-, ten-year or “since inception” time periods.
- Current to the most recent calendar quarter ended.
- Must be net of all recurring fees and expenses (e.g. mortality and expense risk charges, annual administrative fees, expenses of the investment options).
 - Annual contract charges can be deducted as a percentage of the average issued contract.
- Must be net of all non-recurring fees (e.g. sales loads, contingent deferred sales charges).
- Returns must be equally prominent.
- Keyed off the inception date of the separate account.
 - Even if the inception date of the separate account predates the date of inception of the contract.
- New investment option added to the separate account.
 - Use the date on which the individual investment option was added to the separate account when calculating standardized returns.



Advertising Regulation Conference • © 2015 FINRA. All rights reserved.

DOES NOT COMPLY

OCEAN BREEZE VARIABLE ANNUITY PERFORMANCE RESULTS THROUGH AUGUST 31, 2015



Contract Inception : October 1, 2008

Separate Account Established: March 31, 2002

AVERAGE ANNUAL TOTAL RETURNS THROUGH August 31, 2015

Investment Options	1 Year	5 Year	10 Year	Since Inception*
Small Cap	7.31%	-0.56%	-	3.10%
Large Cap	1.54%	-2.35%	-	0.87%
International	-2.67%	0.65%	-	8.76%
Growth	4.08%	-	-	5.63%
Value	2.57%	-0.23%	7.71%	-

Performance returns reflect an initial contract value of \$1,000. All returns do not reflect the deduction of fees and charges, nor the declining contingent deferred sales charge (CDSC) of 8%, 7%, 6%, 5%, 4%, 3%, 2%, 1%, 0% over 8 years.

There is a 10% federal penalty tax on certain withdrawals of earnings prior to age 59½. Earnings are subject to ordinary income tax upon withdrawal. Variable annuities are suitable for long-term investing, such as retirement investing.

*Since inception returns are provided for portfolios that do not have at least 10 years of performance history as of the date they were included in the separate account.

Consider the investment objectives, risks, and charges and expenses of the annuity contract and the underlying investment options carefully before investing. The prospectus, available from your Ocean Breeze Securities representative, contains this and other information and should be read carefully before investing.

High Tide Securities, LLC

Assumptions:

- One original investment option.
- Four investment options added after the separate account was established.

Main Concerns:

- Quarter-end returns are not included (must also be equally prominent).
- Inclusion dates of investment options are not disclosed.
- Returns do not reflect the deductions of applicable fees and charges.
- Does not include disclosures required by SEC Rule 482(b)(3)(i).

Variable Annuity Historical Performance Predating the Separate Account

- Constitutes non-standardized performance.
- Must be clearly identified and include an explanation that this performance predates the offering of the fund as an investment option in the variable annuity.
- Must be net of all recurring fees and expenses (e.g., mortality and expense risk charges, annual administrative fees, expenses of the investment options).
- Must be net of all non-recurring fees (e.g., sales loads, contingent deferred sales charges).
- Must disclose that the predated performance is hypothetical.
- Must be accompanied by SEC standardized performance.

Note: May present additional predated performance that does not reflect charges, provided it is clearly labeled and explains which charges have not been reflected. Must not overemphasize predated performance that does not reflect all charges.



Advertising Regulation Conference • © 2015 FINRA. All rights reserved.

DOES NOT COMPLY

Historical Performance Predating the Separate Account

Ocean Breeze Variable Annuity



Quarterly Performance Summary
Period ending September 30, 2015



(performance reflects maximum contingent deferred sales charge)

Fund Name	1-year	5-year	10-year	Since Inception	Fund's Inception Date
Large Cap Growth	6.56%	-3.30%	-7.02%	4.07%	03/01/2001
Capital Appreciation	18.06%	-1.17%	-8.21%	3.32%	06/01/1997
Mid Cap Growth	10.03%	-1.82%	-7.84%	3.74%	10/01/1998
Growth & Income	-1.31%	-0.76%	1.04%	0.85%	09/01/1990
High Yield Bond	12.66%	1.34%	3.53%	4.25%	01/01/1999
Int'l Growth	3.73%	1.08%	-0.73%	2.62%	10/01/1998
Small Cap Growth	15.25%	1.74%	3.51%	6.12%	11/01/1999
Value	5.98%	-1.79%	3.13%	2.71%	06/06/1995

Important disclosures: Ocean Breeze Variable Annuity was first offered to investors on March 1, 2008. Past performance does not guarantee future results. Performance and unit prices will fluctuate and you may experience a loss. The contingent deferred sales charge is reflected. The inception date of Ocean Breeze VA Separate Account was January 12, 2007.

High Tide Securities, LLC.

Main concerns:

- Fails to:
 - disclose which performance data is hypothetical and pre-dates the offering of the investment options in the variable annuity's separate account;
 - disclose the date each investment option became part of the separate account;
 - disclose standardized performance. Standardized performance for variable annuities must be keyed off the separate account's inception date or the date on which the investment option became a part of the separate account and calculated in accordance with SEC Rule 482;
 - include all applicable SEC Rule 482 performance and prospectus disclosures;
 - disclose the CDSC; and
 - reflect variable annuity fees and charges.

Variable Annuity Historical Performance Combined Investment Options

- **Static allocation of multiple investment options.**
- **Present individual performance of each investment option:**
 - must comply with the applicable historical performance standards; and
 - if showing predated performance, it must comply with the applicable standards.
- **Prominently disclose name(s) of investment option(s) used.**
- **Prominently disclose the percentage allocated to each investment option used.**
- **Prominently disclose that the combined performance is hypothetical because it is based on assumed investment allocations.**



Advertising Regulation Conference • © 2015 FINRA. All rights reserved.

DOES NOT COMPLY



OCEAN BREEZE VARIABLE ANNUITY

Contract Inception October 1, 2005

Separate Account Established September 1, 2002

Average Annual Total Returns for Period Ending September 30, 2015

PORTFOLIO	INCEPTION DATE	1 YEAR	5 YEAR	10 YEAR
Strategic Allocation Portfolio	09/01/2002	6.80%	4.60%	8.45%

The performance data quoted represents past performance, which does not guarantee future results. Investment return and principal value will fluctuate so that your account value, when redeemed, may be worth more or less than the initial premium paid. Current performance may be lower or higher than the performance data quoted. For performance data current to the most recent month end please call Ocean Breeze Securities at 1-800-555-5555.

This combined historical performance is hypothetical because it is based on assumed investment allocations.

The strategic allocation is based on the Equity, International, and Bond investment options, with allocations in the amount of 45%, 20%, and 35% respectively.

High Tide Securities, LLC.

Assumptions:

- > All three investment options became part of the separate account when it was established.
- > Performance shown reflects all recurring and non-recurring fees and charges.

Main Concerns:

- > Fails to present the individual performance of each investment option used.
- > Fails to disclose that the investment options depicted are not the only ones offered within the product.
- > Fails to disclose contingent deferred sales charge.

Variable Annuities Historical Performance Bonus Credit Contracts

- Standardized performance:
 - May reflect the bonus if it applies to all contract holders regardless of the size of the contract.
 - Must reflect the Contingent Deferred Sales Charge (CDSC).
 - Must reflect all other fees and expenses.
- Non-standardized performance:
 - Must reflect the Contingent Deferred Sales Charge (CDSC).
 - Must reflect all other fees and expenses.
- Additional requirements when promoting bonus credits:
 - Explain that fees, expenses, surrender periods and surrender charges may be higher for these products than for variable annuities that do not offer bonus credits.
 - Must not promote the bonus credit as the only enticement to invest in the variable annuity being offered.



Advertising Regulation Conference • © 2015 FINRA. All rights reserved.

Historical Performance Variable Annuity Performance

Quick Summary

Can we show...

(A) Separate account onward?

YES BUT – Deduct fees and charges.
Disclose CDSC.

(B) Predating separate account?

YES BUT – Deduct fees and charges.
Disclose CDSC.
Must also show (A).

(C) Predating separate account without fees and charges?

YES BUT – Must also show (A) and (B).



Advertising Regulation Conference • © 2015 FINRA. All rights reserved.

Questions to Ask When Reviewing Variable Annuity Sales Material

- Does it identify the product as a variable annuity?
- Does it avoid the implication that the product or its investment options are mutual funds?
- Does it balance references to liquidity with disclosure of the charges and tax implications to which withdrawals are subject?
- Does it discuss the market risks assumed by the investor?
- Does the material avoid the implication that the insurance company ratings apply to the investment return or principal value of the investment options?
- Are discussions of riders fair and balanced? Does material that promotes riders provide a sound basis to evaluate the annuities?
- Does the material include performance of the variable annuity? If so, does it comply with SEC Rule 482?



Advertising Regulation Conference • © 2015 FINRA. All rights reserved.

General Do's of Variable Life Insurance Sales Material

- Identify the product being offered as variable life insurance.
- Balance any discussions of the policy's investment features with an explanation of the insurance features.
- Accompany discussions regarding liquidity or the ease of access to investment values with clear language describing the negative impact of loans and withdrawals. Examples of this negative impact may include payment of contingent deferred sales loads and tax penalties, and decreased death benefit and cash value which may ultimately cause the policy to lapse.
- Address the costs and risks of investing in a variable life insurance policy in a manner that balances the presentation of benefits.
- Accompany discussions of guarantees with disclosure that they are subject to the claims-paying ability of the issuing life insurance company.
- Ensure comparisons to other products are fair, balanced and complete.
- Ensure material provides a sound basis to evaluate the variable life insurance policy, especially when specific features are highlighted.
- Include a reference to both the variable life insurance policy prospectus and the underlying funds prospectuses, as appropriate, within prospectus offering statements.



Advertising Regulation Conference • © 2015 FINRA. All rights reserved.

DOES NOT COMPLY



Do you need financial security for your family?

Both the contract prospectus and the underlying fund prospectuses contain information relating to the product's investment objectives, risks, charges and expenses as well as other important information. Please call 1-888-555-5555 for the prospectuses and read and consider them carefully before investing.

Assumes premium payments are made at a stipulated level.

Distributed through High Tide



In these troubled times you need a way to *protect your family* from life's uncertainties and the turmoil of the financial markets.

You may be asking yourself how to meet your responsibilities to your loved ones. You want your children to go to **college**, so they can lead better lives. You want to accumulate **wealth**, so that you and your spouse can face old age with **independence** and dignity. You want to guarantee your family is secure, should the unthinkable happen.

How can you possibly address all of these responsibilities at a time when bank savings accounts and money market accounts yield next to nothing, and other types of investments have suffered huge losses?

We have **good news** for you. There is a way to accomplish all of these goals in a very affordable manner. In addition, you will earn a minimum guaranteed rate of **3.5%** on a portion of your investment, with the opportunity to **earn much more** on the remainder.



Main Concerns:

- Does not identify the product as a variable life insurance policy.
- Overemphasizes the investment aspects of the variable life insurance product.
- Implies liquidity and fails to disclose negative impact of loans and withdrawals.
- No disclosure of the risk or costs.
- No disclosure that guarantees are subject to the claims-paying ability of the issuing insurance company.
- Incomplete comparison to other products.
- "There is a way to accomplish all of these goals ..." is promissory.

General Don'ts of Variable Life Insurance Sales Material

- Overemphasize the growth potential of variable life insurance policies and the income that can be generated from such contracts.
- Represent or imply that variable life insurance investment options are mutual funds or use mutual fund logos when describing the investment options.
- Imply that variable life insurance is "liquid" or appropriate for short-term investment.
- Imply that the issuer's rating, strength and stability applies to the performance of the underlying investment options.
- Highlight the fixed account's current rate of return in lieu of a complete discussion of all the investment options.
- Promote riders without providing a sound basis to evaluate the variable life insurance policy.

OCEAN BREEZE FOR LIFE

DOES NOT COMPLY

Do you need security for your family? Consider a variable life policy!



Want to know more about Ocean Breeze Variable Life Insurance? Contact your financial advisor for a prospectus.

In addition to guaranteed death benefits, a variable life insurance policy offers investment potential that will provide you an inexpensive way to address your family's needs.

Reasons to invest:

- A **guaranteed** fixed account yielding close to 5%.
- The cash value accumulates in the policy on a **tax-deferred** basis.
- Ocean Breeze Life has consistently received **top ratings** for performance.
- **Tap into your funds** to help meet unexpected needs through loans and partial surrenders.
- You can specify how you want your premiums allocated among a variety of **mutual fund** families that invest in stocks, bonds, and other investments ranging from conservative to **aggressive**.

The cash value of a variable policy is not guaranteed, it is possible to lose money, so you should carefully consider your risk tolerance before purchasing a variable policy.

Distributed through High Tide Securities, LLC.

Main Concerns:

- Overemphasizes the investment aspects of the variable life insurance product.
- Underlying accounts identified as mutual fund families.
- Implies liquidity and fails to disclose negative impact of loans and withdrawals.
- Implies ratings apply to the performance of underlying investment options.
- Fails to explain that the 5% rate is subject to change.
- Fails to address fees and charges.
- Fails to disclose that guarantees are subject to the claims-paying ability of the issuing insurance company.
- Includes exaggerated and unwarranted claims.
- Prospectus offer is incomplete.


Variable Life Insurance Hypothetical Illustrations

- Include disclosure preceding the illustration which states that the illustration is hypothetical and is intended to show how the performance of the underlying investment accounts could affect the cash value and death benefits, and is not intended to predict or project investment results.
- The method and format of the illustrations should follow generally accepted industry standards.
- Use an assumed gross rate of return (maximum 12%) that is reasonable in light of market conditions and disclose the resulting net rate used.
- Accompany the assumed rate of return by the 0% gross rate to illustrate the lack of growth in the underlying investment accounts and reinforce the hypothetical nature of the illustration, and disclose the resulting net rate used.
- Disclose and deduct the maximum (guaranteed) fees and charges.
- Do not compare a variable life insurance policy with another product based on hypothetical performance except when comparing to a term policy with the difference in cost invested in a side product (i.e., "buy term and invest the difference").



Variable Life Insurance Hypothetical Illustration COMPLIES - Example

Ocean Breeze Life Insurance Company



Variable Life Classic

The purpose of this illustration is to show how the performance of the underlying investment account(s) could affect the policy cash value and death benefit. This illustration is hypothetical and may not be used to project or predict investment results.

Client: Tom
 Annual Premium: \$2,337.48 Male Age: 45 Death Benefit Option: Level Face Amount: \$250,000 Nonsmoker
Maximum Guaranteed Charges and Average Expenses


Assumed Rate of 0.00% (-0.80% Net)					Assumed Rate of 8.00% (7.20% Net)			
End of Year	Age	Annualized Premium	Cash Value	Surrender Value	Net Death Benefit	Cash Value	Surrender Value	Net Death Benefit
1	46	2,337.48	1,481	0	250,000	1,544	0	250,000
2	47	2,337.48	2,913	0	250,000	3,126	0	250,000
3	48	2,337.48	4,298	0	250,000	4,857	0	250,000
4	49	2,337.48	5,666	166	250,000	6,665	1,165	250,000
5	50	2,337.48	6,988	1,488	250,000	8,566	3,066	250,000
6	51	2,337.48	8,264	2,764	250,000	10,564	5,064	250,000
7	52	2,337.48	9,467	3,967	250,000	12,637	7,137	250,000
8	53	2,337.48	10,627	5,677	250,000	14,821	9,871	250,000
9	54	2,337.48	11,717	7,592	250,000	17,095	12,970	250,000
10	55	2,337.48	12,737	9,437	250,000	19,466	16,166	250,000

This illustration is not complete without all pages.
~Page 2 of 10~

Information that should be included on other pages:
 *General information about the policy, its structure and any applicable tax issues. *Definitions or glossary of terms. *Explanations of column headings.
 *Disclosure of all policy fees, expenses and charges. *Identification of member firm name.

Variable Life Insurance Supplemental Hypothetical Illustrations

- Illustrations that supplement the basic hypothetical illustration are permitted, but must adhere to the specific standards of FINRA Rule 2210 and IM-2210-2.
- In general, supplemental hypothetical illustrations must be accompanied by the basic illustration that depicts hypothetical performance at a 0% gross rate of return at guaranteed insurance charges. Therefore, supplemental illustrations should not be used on a stand alone basis.
- Weighted average illustrations – use a weighted average of the fees and expenses of a specific underlying investment option within a contract.
- Historical performance illustrations – use historical performance of specific underlying funds to illustrate the mechanics and features of the contract being sold.
- Graphical illustrations of hypothetical or historical performance (using bar or mountain type charts).
- Internal rate of return illustrations – depict hypothetical performance of the contract, but also show an internal rate of return for both the cash value and death benefit. Specific guidelines are discussed in the December 1998 issue of the NASD Regulatory & Compliance Alert.
- Retirement income plans.
- Comparative Illustrations.
- College Funding plans.



Advertising Regulation Conference • © 2015 FINRA. All rights reserved.

Variable Life Insurance Weighted Average Illustrations

- Illustrations based on the weighted average of specific fund level expenses are typically preceded or accompanied by the policy prospectus and must:
 - Identify the underlying options being used.
 - Disclose the amount of each fund's expenses.
 - Identify the amount of premium allocated to each fund.
 - Disclose weighted average of expenses.
- Illustrations used with more than one customer must be accompanied by the standard illustration depicting the guaranteed charges at a 0% gross rate of return using the arithmetic average of the expenses of all the underlying funds. The standard illustration must use the same assumed rates of return as those used in the fund-specific illustration.



Advertising Regulation Conference • © 2015 FINRA. All rights reserved.

Hypothetical Variable Life Insurance Illustration Weighted Average

DOES NOT COMPLY

Variable Life Hypothetical Supplemental Illustration Weighted Average of Expenses Example

Ocean Breeze Life Insurance, Inc.
Variable Universal Life Plus I - Fund Allocation Report

Client: Most Valued Client

Annual Premium: \$5,000 Male Age: 40 Death Benefit Option: Level
Face Amount: \$500,000 Nonsmoker



Current Charges and Selected Funds Assumed Rate of 0.00% Assumed Rate of 8.00%

End of Year	Age	Annualized Premium	Cash Value	Surrender Value	Net Death Benefit	Cash Value	Surrender Value	Net Death Benefit
1	41	5,000	3,913	0	500,000	4,257	0	500,000
2	42	5,000	7,742	0	500,000	8,760	0	500,000
3	43	5,000	11,484	289	500,000	13,552	2,327	500,000
4	44	5,000	15,140	4,060	500,000	18,558	7,478	500,000
5	45	5,000	18,708	7,753	500,000	23,881	12,926	500,000
6	46	5,000	22,184	11,359	500,000	29,504	18,679	500,000
7	47	5,000	25,567	14,877	500,000	35,441	24,751	500,000
8	48	5,000	28,862	18,307	500,000	41,718	31,163	500,000
9	49	5,000	32,063	21,653	500,000	48,347	37,937	500,000
10	50	5,000	35,171	24,906	500,000	55,352	45,087	500,000
15	55	5,000	49,759	48,179	500,000	97,399	95,819	500,000
20	60	5,000	63,043	63,043	500,000	155,803	155,803	500,000
25	65	5,000	73,229	73,229	500,000	234,604	234,604	500,000
30	70	5,000	78,876	78,876	500,000	341,711	341,711	500,000

This is a supplemental illustration and must be accompanied by the complete Variable Universal Life Plus I illustration that reflects the Policy's guaranteed insurance charges at the same rate of return shown above and at 0% (see page 2).
This illustration is not complete without all pages.

~Page 4 of 10~

Main concerns:

► Fails to:

- disclose the specific underlying funds illustrated;
- disclose the % of premium allocated to the specific underlying funds;
- include the expense ratio of each underlying fund; as well as the overall weighted average expense ratio; and
- disclose the assumed net rates of return.

Hypothetical Variable Life Insurance Illustration Comparative Illustration

DOES NOT COMPLY

Ocean Breeze Select VLI – Giving Investors the Best of Both Worlds

Tax-Efficient Growth of Capital. Ocean Breeze Select VLI offers investors the advantage of tax-deferred growth of their money. And, unlike other types of investments, Ocean Breeze Select VLI also boasts the availability of tax-free income – something no other investment can offer.

Death Benefit Insurance Protection. Ocean Breeze Select VLI offers investors an income tax-free death benefit to guard against potential financial hardship in the event of an early death.

Other Superior Benefits of Ocean Breeze Select VLI

Control. Ocean Breeze Select VLI offers you the control as to how you want your money invested. You choose your investment options and not the insurance company!

Flexibility. Ocean Breeze Select VLI lets you set your premiums within some parameters.

Liquidity. Tax-free income is available to supplement your retirement income or even help pay for your children's college education!

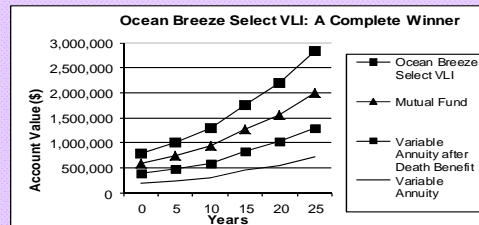
Tax-Free Death Benefit

+

Tax-Favored Income
and Cash Value Accumulation
Ocean Breeze Select VLI



As shown in the hypothetical example below, Ocean Breeze Select VLI far exceeds the growth capabilities of mutual funds and variable annuities. In fact, Ocean Breeze Select VLI not only grows faster, its death benefit receives favorable tax treatment when compared to variable annuities.



Hypothetical illustration is based on a \$200,000 initial premium payment for a 50-year old male standard issue; assumes 8% rate of return. Tax rate is 28%. Hypothetical results are for illustrative purposes only and are not intended to represent past, present or future performance of any specific investment. Results do not reflect any fees or expenses, which are discussed in the attached prospectus.

Ocean Breeze Select VLI is issued by Ocean Breeze Life Insurance Co. and distributed by High Tide Securities, Inc., Member FINRA, SIPC

Main concerns:

- Inappropriate, incomplete, misleading and unbalanced comparison.
- Overemphasizes the investment aspects.
- Exaggerates growth potential, liquidity and flexibility; fails to explain the policy, specifically tax-related issues.
- Fails to comply with the specific standards for hypothetical VLI illustrations.

Variable Life Insurance Historical Performance

- Generally permitted in sales literature preceded or accompanied by a current effective prospectus for the variable life insurance contract and its underlying accounts.
- Performance standards of SEC Rule 34b-1 do not apply to the contract.
- General standards of FINRA Rule 2210 apply.
 - Good faith effort to provide a fair and balanced presentation.
- Performance must reflect, at a minimum, the deduction of all fees and charges applicable at the investment option level.
- Presentations must prominently disclose:
 - whether performance reflects fees and charges (from the prospectus) other than at investment option level;
 - fees and charges identified in the prospectus but not deducted; and
 - that, if all fees and charges disclosed in the prospectus had been deducted, the performance quoted would have been lower.
- Include a statement urging investors to obtain a personalized performance illustration, if applicable.



DOES NOT COMPLY



OCEAN BREEZE VARIABLE LIFE

Average Annual Total Returns for Period Ending September 30, 2015

PORTFOLIO	INCEPTION DATE	1 YEAR	5 YEAR
Equity Index Fund	06/05/2007	16.66%	2.30%
Small-Mid Cap Fund	04/15/2006	25.54%	4.15%
Balanced Fund	05/03/2012	8.66%	n/a
International Fund	03/15/2008	7.41%	3.12%
Bond Fund	02/01/2011	12.43%	n/a

The performance data quoted represents past performance, which does not guarantee future results. Investment return and principal value will fluctuate so that your account value, when redeemed, may be worth more or less than the total premium paid.

High Tide Securities, LLC

Main Concerns:

- Does not include since inception date returns.
- Does not identify whether performance reflects fees and charges (from the prospectus) other than at investment option level, whether performance reflects fees and charges identified in the prospectus but **not** deducted; and that, if all fees and charges disclosed in the prospectus had been deducted, the performance quoted would have been lower.
- Does not include a statement urging investors to obtain a personalized performance illustration.

Variable Life Insurance Historical Performance Predating the Separate Account

- Fund performance predating the inclusion in a variable life insurance product is permitted.
- Must be accompanied by historical performance from the date of the separate account.
- Clearly identify the predated performance.
- Clearly disclose that the performance is hypothetical.
- Clearly identify the fees and charges deducted and the fees and charges not deducted.
- Clearly disclose that, if all fees and charges had been deducted, the performance would have been lower.
- Performance of clone funds is not permitted.

Variable Life Insurance Historical Performance

Quick Summary

Can we show...

(A) Separate account onward?

YES BUT – Deduct investment option management fees.
Disclose what is and what is not deducted.
Disclose performance would be lower if deducted.

(B) Predating separate account?

YES BUT – Same as above.
Must also show (A).



Advertising Regulation Conference • © 2015 FINRA. All rights reserved.

Questions to Ask When Reviewing Variable Life Insurance Sales Material

- Does it identify the product as variable life insurance?
- Does the material provide a balanced discussion of both insurance and investment features?
- Does it avoid implying that the product or its underlying funds are mutual funds?
- Does it balance references to liquidity with disclosure of the charges and tax implications to which withdrawals are subject, the negative impact of withdrawals on cash value and death benefit, and the market risks assumed by the investor?
- Does the material avoid implying that the insurance company rating extends to the investment return or principal value of the separate account?
- Are discussions of riders fair and balanced? Does material that promotes riders provide a sound basis to evaluate the variable life policies?
- Does the material include historical performance? If so, does it comply with the applicable rules?
- Does the material include illustrations of a variable life policy's performance? If so, does it comply with the guidance applicable to them?



Advertising Regulation Conference • © 2015 FINRA. All rights reserved.

Advertising Regulation Conference

Washington, DC | October 8 – 9, 2015

Variable Insurance Products

Most publications listed below can be found at www.finra.org/industry unless otherwise noted.

FINRA Rules:

- FINRA Rule [2111](#) - *Suitability*
- FINRA Rule [2320](#) - *Variable Contracts of an Insurance Company*
- FINRA Rule [2330](#) - *Members Responsibilities Regarding Deferred Variable Annuities*
- FINRA Rule [3270](#) - *Outside Business Activities of Registered Persons*

Variable Annuities:

Rule Updates:

- *Notice to Members [08-39](#), FINRA Requests Comments on Proposed New Rules Governing Communications About Variable Insurance Products* (July 2008)

Supervision and Suitability:

- *Notice to Members [99-35](#), NASD Reminds Members of their Responsibilities Regarding the Sale of Variable Annuities* (May 1999)
- *Regulatory & Compliance Alert, Reminder – Suitability of Variable Annuity Sales* (Spring [2002](#)) Page 13
- *Investor [Alert](#), Beyond the Hard Sell* (May 27, 2003)
- *Investor [Alert](#), Should You Exchange Your Variable Annuity* (March 2, 2006)
- *Notice to Members [09-32](#), SEC Approves Amendments to NASD Rule 2821 Governing Purchases and Exchanges of Deferred Variable Annuities* (June, 2009)
- Variable Annuity Performance:
- *Regulatory & Compliance [Alert](#), Performance Pre-dating the Offering of a Fund in the Variable Annuity* (Summer 2002), Page 8

Reports and Studies:

- *Joint SEC/NASD Staff [Report](#) on Examination Findings Regarding Broker-Dealer Sales of Variable Insurance Products* (June 2004)

Tax-Deferral Illustrations:

- *NASD Member [Alert](#), NASD Reminds Members of their Responsibilities Regarding Hypothetical Tax-Deferral Illustrations in Variable Annuity Communications* (May 10, 2004)
- *Regulatory & Compliance [Alert](#), NASD Regulation Cautions Firms For Deficient Variable Annuity Communications* (Spring 2002), Page 10

Annual Examination Priorities Letter:

- 2015 Regulatory and Examination Priorities [Letter](#)

FINRA News Releases Concerning Variable Annuities:

- FINRA News [Release](#), *FINRA Hearing Panel Fines Mutual Service Corp. More than \$1.5 Million for Supervisory Failures, Falsifying Records Relating to VA Exchanges* (March 19, 2009)
- FINRA News [Release](#), *FINRA Fines Bank Broker-Dealers \$1.65 Million for Supervisory Failures in Variable Annuity, Mutual Fund and UIT Transactions* (July 23, 2009)
- FINRA News [Release](#), *FINRA Fines Fifth Third Securities \$1.75 Million for 250 Unsuitable Variable Annuities Transactions* (April 14, 2009)
- FINRA News [Release](#), *David Lerner Associates Suspended from Conducting New Business in Variable Annuities, Variable Life Insurance for 30 Days, Fined \$400,000 for Violation of New York State, NASD Regulations* (March 2, 2006)
- FINRA News [Release](#), *NASD Fines Hornor, Townsend & Kent, Inc. \$325,000 for Improper Sales Contests, Email and Supervision Violations: Firm Ordered to Prohibit Variable Product Sales Contests for Three Years* (July 6, 2005)
- FINRA News [Release](#), *Waddell & Reed, Inc. Agrees to Pay \$5 Million Fine, up to \$11 Million in Restitution to Settle NASD Charges Relating to Variable Annuity Switching* (April 29, 2005)
- FINRA News [Release](#), *Jefferson Pilot to Pay Over \$500,000 in First VUL Market Timing Action; NASD Also Fines Affiliate \$125,000 for E-Mail Retention Violations* (March 16, 2005)
- FINRA News [Release](#), *NASD Bars Former AmSouth Broker for Fraud in the Sale of Variable Annuities* (November 29, 2004)

Variable Life Insurance:

Illustrations:

- Regulatory & Compliance [Alert](#), *Fund Level Expense in Variable Life Hypothetical Illustrations* (Spring 2002) (Page 12)
- Regulatory & Compliance [Alert](#), *Internal Rate of Return in Variable Life Hypothetical Illustrations* (Winter 1998) (Page 31)
- Regulatory & Compliance [Alert](#), *Ask the Analyst: What are the Filing Requirements, If Any, for Variable Annuity and Variable Life Hypothetical Illustrations* (Winter 1998) (Page 34)
- Variable Life Historical Performance:
- Regulatory & Compliance [Alert](#), *Presentation of Variable Life Insurance Performance in Member Communications* (Winter 2001) (Page 3)

Tax Deferral:

- Regulatory & Compliance [Alert](#), *Ask the Analyst: May We Discuss Tax Deferral in Our Variable Life Insurance Brochures?* (Spring 1997) (Page 20)

Life Settlements:

- NASD Notice to Members [06-38](#), *Member Obligations with Respect to the Sale of Existing Variable Life Insurance Policies to Third Parties* (August 2006)
- NASD Notice to Members [09-42](#), *FINRA Reminds Firms of Their Obligations With Variable Life Settlement Activities* (July 2009)

Supervision and Suitability:

- Regulatory Notice [13-31](#) *Suitability, FINRA Highlights Examination Approaches, Common Findings and Effective Practices for Complying With its Suitability Rule* (September 2013)
- Notice to Members [00-44](#), *NASD Reminds Members of their Responsibilities Regarding the Sale of Variable Life Insurance* (July 2000)
- Notice to Members [96-86](#), *NASD Regulation Reminds Members and Associated Persons that Sales of Variable Contracts are Subject to NASD Suitability Requirements* (December 1996)

