



Compliance Alert 2022-04

To: All PCS Registered Representatives, Support Staff, Home Office Personnel
Date: March 4, 2022
Re: **Variable Annuity Buyback/Conversion Offers**

The PCS Compliance Department is issuing this Compliance Alert to notify all Financial Professionals of an updated policy and procedure related to variable annuity buyback/conversion offers, and the requirement to comply with regulation Best Interest when making a recommendation to a customer either to accept or decline the offer.

PCS has seen incidents where an annuity product provider will offer to current contract holders the option to buy back their contract or offer a conversion opportunity to move to a new product. There are many different reasons a product provider may make these offers and they vary for each offer. The product provider will provide the contract owner with a letter or series of letters outlining the option(s) and perceived benefits to the contract owner.

Many clients will reach out to their financial professional with a request to review the offer and provide a recommendation on if they should accept to decline the offer. This is the point where Regulation Best Interest comes into play. As we know any time a recommendation is made to a retail investor the financial professional is obligated to comply with Regulation Best Interest.

The Financial Professional, prior to making a recommendation to the client, must obtain information related to the offer, review the account risks, objectives and other current suitability information for the client, review the expenses and any other limitations on the proposed offer, as well as the benefits available to the client in order to comply with the CARE obligation. Additionally, the Financial Professional should evaluate other options the client may have, especially related to a conversion offer, to determine if there are other products better suited for the client.

Once a recommendation is determined, the process that was taken to arrive at the recommendation must be documented on the PCS Regulation Best Interest Documentation Supplement and submitted to the Principal Review Desk (PRD) via Docupace for review and record keeping. (A copy should also be maintained in the financial professional client file within their branch office)

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(502) 451 0600



If the recommendation includes the purchase of a new product, then all regular new business forms and procedures should be followed to submit the new application to PRD.

The submission must be completed via the Docupace System, or it will be rejected.

If there are any questions related to this new policy and procedure, please send an email to compliance@pcsb.net.

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