

### NETWORKING AGREEMENT

This Agreement is entered into as of \_\_\_\_\_, 20\_\_\_\_ (“The Effective Date”), by and between [insert name of Insurance Agency], (“IA”) whose business address is [location] and [insert name of Broker-Dealer] (“BD”), whose business address is [location]. IA and BD will be each a “Party” and collectively referred to as the “Parties”

#### Recitals

**WHEREAS**, IA is licensed as a corporate insurance agent and general insurance agent and as such is authorized by, and in good standing with, the Office of the Commissioner of Insurance of Puerto Rico (“OCI”). IA is authorized to sell insurance products and variable contracts subject to the terms of this Agreement and further subject to authorization by the OCI and the Office of the Commissioner of Financial Institutions (“OCFI”).

**WHEREAS**, BD is a broker dealer registered and in good standing with the Securities and Exchange Commission (“SEC”), the Financial Industry Regulatory Authority (“FINRA”), and the OCFI and is authorized to sell variable products by the OCI.

**WHEREAS**, all securities services provided in connection with the sale of variable contracts will be provided by IA through persons who will be registered representatives of BD (“Dual Representatives”). All Dual Representatives will be registered and qualified as provided below in Section 4 of this Agreement.

**NOW THEREFORE**, in consideration of mutual covenants, agreements, representations, and warranties herein contained, the parties hereby agree as follows:

**OCIF Rev. 06-18. Instructions:** This document must be accompanied by a letter filed with the Office of the Commissioner of Financial Institutions seeking authorization to enter into this Agreement.

**AGREEMENT**

**1. Recitals are part of the Agreement.** Recitals are a material part of this Agreement.

**2. Services to be provided by the Parties.** Subject to the terms and conditions of this Agreement:

- (a) IA hereby appoints BD to provide certain administrative and compliance services to facilitate the offer and sale of variable products.
- (b) BD hereby accepts such engagement and agrees to abide by the terms and conditions regarding the offer and sale of variable contracts as set forth in this Agreement, as well as all applicable laws and regulations.
- (c) Subject to the terms and conditions of this Agreement, BD hereby appoints IA to provide certain administrative and compliance services to facilitate solicitation and sale of variable contracts.
- (d) IA hereby accepts such engagement and agrees to abide by the terms and conditions regarding the sale of variable contracts as set forth in this Agreement, as well as all applicable laws and regulations.

**3. Licenses.** The Parties hereby represent and warrant that they possess and will maintain at all times all the necessary licenses and registration requirements to conduct the insurance and securities' activities described in this contract. The Parties hereby further represent that they are in compliance, and during the term of this Agreement, will remain in compliance, with all applicable requirements including but not limited to the capital and/or net capital and financial reporting requirements of the SEC, the OCFI, the FINRA, any applicable securities exchanges of

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which it is a member, and all other applicable federal or Puerto Rico laws and will establish such rules and procedures as may be necessary to cause diligent supervision of the sale of variable contracts by the Dual Representatives.

**4. Dual representatives.** Dual Representatives must meet the following requirements:

- (a) Be registered representative of the BD that are also registered and qualified as necessary with FINRA;
- (b) Be agent of the IA;
- (c) Be licensed to sell securities and insurance; and
- (d) Have good character and moral fitness to sell securities and insurance products.

**5. Term of Services.**

(a) Under this Networking Agreement, only Dual Representatives will effect securities transactions and provide securities services.

(b) Designated principals of BD or members of BD's compliance staff authorized to supervise employees under self-regulatory organization ("SRO") rules will train, supervise, control, and assume responsibility for all of the securities activities of Dual Representatives in connection with the offer and sale of variable contracts.

(c) IA will agree that any Dual Representative whom the SEC, the OCFI, FINRA, or any other self-regulatory organization ("SRO") or state insurance or securities commission (or agency or officer performing like functions) bars or suspends from association with the BD or any other broker-dealer will be terminated or suspended from all securities and variable contract activities conducted by IA.

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(d) IA and BD will advise each Dual Representative, in writing, that in connection with the offer and sale of variable contracts, he or she will be subject to the terms and conditions contained in their employment agreement or independent contractor agreement, as the case may be.

(e) IA is considered an associated person of BD within the meaning of Section 3(a)(18) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

**6. Responsibilities of BD.** With regard to the Dual Representatives, BD will be responsible for:

(a) Assisting IA in the selection of Dual Representatives. BD will also supervise the activities of Dual Representatives, including by providing conduct manuals and/ or written policies and procedures to Dual Representatives and monitoring their activities to help ensure compliance with the conduct manuals and/or the written policies and procedures in connection with their activities performed pursuant to this Agreement.

(b) Taking all necessary steps to make sure that each Dual Representative is a registered agent of BD before such Dual Representative engages in the solicitation of applications for variable contracts. BD will cause such Dual Representative securities' qualifications to be in compliance to the satisfaction of IA.

(c) Training and supervising, in accordance with the applicable securities laws, all Dual Representatives and other persons associated with BD who is involved in the offer or sale of variable contracts. All such Dual Representatives and persons will be subject to the control of BD with respect to regulated securities activities in connection with the offer and sale of variable contracts.

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(d) Taking all necessary steps to ensure that each Dual Representative's investment recommendations in the sale of variable contracts are suitable for the individual customer pursuant to federal and Puerto Rico securities laws and regulations, including also applicable rules issued by the FINRA.

(e) Assuring compliance with all Dual Representative securities-related obligations arising from activities pursuant to this Agreement.

(f) Notifying IA as soon as BD becomes aware that a Dual Representative fails or refuses to submit himself or herself to the supervision of BD and/or IA, or otherwise fails to meet the procedures and standards imposed by BD for the sale of the variable contracts. Also, BD will be responsible of notifying IA of any complaints received against any Dual Representative.

(g) BD will approve all variable product advertisements and promotional materials it creates prior to their distribution to ensure they are in compliance with applicable statutory and regulatory requirements of the federal and state securities laws and FINRA or any other SRO rules. BD will assume responsibility for all such advertisements and promotional materials, and all such materials will be considered materials of BD for purposes of the federal and state securities laws and FINRA or any other SRO rules.

(h) BD will maintain all relevant and required books and records relating to transactions in variable products at its Office of Supervisory Jurisdiction in Puerto Rico, and will make them readily accessible to the staff of the SEC, the OCFI, FINRA, to any other SRO, or to other relevant federal and state governmental authorities, including state insurance regulators, upon request. BD will ensure that these books and records comply with all applicable statutory and regulatory requirements of the federal and state securities laws and FINRA or any other SRO

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rules, including Section 17(a) of the Exchange Act and the rules thereunder. BD will ensure compliance with statutory, regulatory and FINRA requirements regarding the retention and availability for inspection of such records. BD will also be responsible for compliance with all reporting requirements regarding the receipt and payment of commissions or other compensation related to the sale of variable products.

(i) BD will handle customer funds and securities in accordance with all applicable statutory and regulatory requirements of the federal and state securities laws and FINRA or any other SRO rules, in particular the net capital and customer protection rules of the federal securities laws.

(j) In accordance with FINRA Rule 3120 or any other applicable rule, BD will test and verify its policies and procedures regarding this arrangement at least annually to verify that it is in compliance with the representations and conditions of this Agreement, and in accordance with FINRA Rule 3130 or any other applicable rule, the Chief Executive Officer of BD will certify that BD has processes in place to establish, maintain, review and test written supervisory policies and procedures.

#### **7. Responsibilities of IA.**

With regards to the Dual Representatives, IA will be responsible for:

(a) Training and supervising all Dual Representatives and other persons associated with IA who are engaged directly or indirectly in the offer or sale of any insurance products, in accordance to the applicable insurance laws. All such persons will be subject to the control of IA with respect to such persons' regulated insurance activities in connection with the variable contracts.

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(b) Taking all necessary steps to ensure that each Dual Representative's insurance recommendations in the offer and sale of the variable contracts are adequate for the individual customer pursuant to Puerto Rico insurance laws and regulations.

(c) Assuring compliance with all of Dual Representatives insurance related obligations arising from activities pursuant to this Agreement.

(d) Notifying any Dual Representative that he or she is no longer authorized to sell the insurance products. IA and BD will take whatever additional action may be necessary to terminate the sales activities of such Dual Representatives relating to the variable contracts.

(e) Taking all necessary steps to assure Dual Representative's compliance with insurance license requirements, including continuing education.

(f) Notifying BD immediately after it becomes aware that a Dual Representative fails or refuses to submit to the supervision of IA and/or BD, or otherwise fails to meet the procedures and standards imposed by IA for the sale of the variable contracts. The IA will also notify BD of any complaints received against Dual Representatives.

(g) Establishing written policies and procedures reasonably designed to ensure, among others:

(i) compliance with Puerto Rico Insurance Code and its regulations;

(ii) that only Dual Representatives receive or handle customer funds routed through the BD and the IA, and that only Dual Representatives receive or handle customer funds or securities in connection with the sale of variable products;

(iii) that the insurance company issuing the variable product is the payee (or in the case of electronic fund transfers, the direct recipient) of any customer funds intended for the purchase of a variable product, and that the IA, or any of its associated persons is not the payee (or in the case of electronic fund transfers, the direct recipient) of any customer funds intended for the purchase of variable products;

(h) Monitoring the activities of its Unregistered Employees and have written policies and procedures reasonably designed to ensure their compliance with the applicable conduct manual and/or written policies and procedures provided by the BD.

#### **8. Rules of Conduct.**

BD and IA will ensure that each Dual Representative or Unregistered employees of IA or BD complies with a standard set of rules of conduct including, but not limited to, the following:

(a) Unregistered employees of IA and BD are not authorized to engage in any securities brokerage or advisory services activities (including but not limited to the sale of variable products), recommending any security, giving investment advice with respect to securities, discussing the merits of any security or type of security, and handling any question that might require familiarity with the security industry. Such unregistered employee will not receive any compensation from the sale of securities or the provision of investment advice, and will be instructed to refer all questions pertaining to securities to the Dual Representatives.

(b) Unregistered employees of IA and BD will be prohibited from maintaining and handling customer funds in connection with securities transactions, or having any involvement in any



securities transactions other than providing ministerial or clerical assistance.

(c) BD will provide conduct manuals and/or written policies and procedures to the IA, and to Unregistered Employees of the IA, specifying the limitations on what activities they may engage in with respect to variable products. The BD will conduct periodic reviews consistent with FINRA or any other SRO obligations to ensure that the IA and their Unregistered Employees are complying with the conduct manual and/or written policies and procedures, and will make and keep a record of the results of any findings related to that periodic review. IA will also monitor and conduct periodic reviews of the activities of its employees to ensure compliance with said conduct manual.

(d) Dual Representatives will be duly qualified, licensed and registered to solicit and participate in the sale of the variable contracts.

(e) Dual Representatives will not solicit applications for variable contracts without delivering, when required, the appropriate prospectus and/or trust prospectus.

(f) In soliciting applications, Dual Representatives will only make statements, oral or written, which are in accordance with the prospectus, the trust prospectus and written sales literature regarding the variable contracts authorized by IA and that have been approved for customer distribution. Dual Representatives will utilize only those applications provided by the IA.

(g) Dual Representatives will recommend the purchase of a variable contract to an applicant only if he or she has reasonable grounds to believe that such purchase is suitable for the applicant in accordance with, among other things, applicable regulations of the OCFI, any state regulatory authority, the SEC and the FINRA. While not limited to the following factors, a

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determination of suitability will be based on information supplied to a Dual Representative after a reasonable inquiry concerning the applicant's insurance and investment objectives and its financial situation and needs.

(h) Dual Representatives will have no authority to alter, modify, waive or change any of the terms, rates, charges or conditions of the variable contract.

(i) Dual Representatives will make no representations concerning the continuation of non-guaranteed terms or provisions of the variable contracts.

(j) Dual Representatives will adhere to the terms contained in the conduct manuals and/or written policies and procedures provided by the BD.

**9. Prospectus, Advertising and Marketing Materials.**

(a) All applications for variable contracts will be made on the forms required and supplied by the respective insurance company. IA and BD will maintain prospectuses relating to the variable contracts and such other material as IA determines to be necessary or desirable for use in connection with sales of the variable contracts.

(b) BD will approve and assume all responsibility for all advertisements and promotional materials prior to their distribution, to ensure compliance with applicable federal and Puerto Rico securities and regulations, including FINRA disclosure requirements in accordance with FINRA Rule 2210.

(c) Dual Representatives will not use any sales promotion materials or advertising relating to the variable contracts unless such materials have been approved in writing prior to use by BD or a BD Registered Principal. BD will require Dual

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Representatives to deliver a then-current prospectus prior to the solicitation or sale of the variable contracts.

(d) The IA, BD or Dual Representatives will make no representations in connection with the sale of the variable contracts, other than those contained in the currently effective registration statements and prospectuses for the variable contracts filed with the SEC or with the OCFI, or in the approved sales promotion materials.

#### **10. Suitability.**

BD will, through a FINRA General Securities Principal, evaluate and approve each application for variable contracts as being suitable for the client, review each application for completeness and promptly forward it to IA.

#### **11. Payment.**

(a) Customers purchasing variable contracts will make their checks payable to the insurance company issuing the variable contracts. Checks for the purchase of variable contracts will not designate BD, IA, or any of their employees as payee. Initial checks and applications for the purchase of variable contracts, and any subsequent payments, will be sent directly by the customer to the insurance company or will be forwarded to the insurance company by the BD or its Dual Representative by noon of the business day following their receipt or in compliance with FINRA Rule 2330 or any rule that supersedes it. If the insurance company receives customer checks directly, the insurance company will provide BD with copies necessary to make the required suitability determinations.

(b) Alternatively, to the extent that BD maintains an arrangement with a carrying or clearing broker-dealer (the "Clearing Broker") pursuant to which BD client purchases

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securities, including the variable contracts, through the Clearing Broker holding funds in a brokerage account for such customer, the customer/purchaser may authorize BD as the introducing broker-dealer, and the Clearing Broker, in writing to forward amounts due to the insurance company from funds held in their brokerage account. If the client authorizes the Clearing Broker to forward amounts due to the insurance company, the Clearing Broker may deduct the appropriate commission from such payment, if authorized in writing by the client and the insurance company.

(c) BD and/or the Clearing Broker, as applicable, will forward the checks or funds to the insurance company within the applicable regulatory period from the date of receipt of the checks or written instructions.

(d) Only Dual Representatives will receive or handle customer funds routed through BD and the IA. Furthermore, only Dual Representatives will receive or handle customer funds or securities in connection with the sale of variable contracts.

(e) Neither BD, nor IA, nor any of their respective employees, will cash premium checks or use any portion thereof for payment of commissions or other compensation, or for any other purpose.

(f) No payments for variable contracts may be made in currency or securities.

(g) Neither the Parties nor any Dual Representative will rebate or offer to rebate all or any part of a premium on any variable contract or any other insurance product in violation of applicable state insurance laws or withhold any premium on any of the variable contracts or any other insurance products.

**12. Commissions.**

(a) Commissions (or other transaction-related compensation) resulting from variable contracts transactions will be paid by the insurance company to the BD or IA. Commissions paid to Dual Representatives on transactions in variable products will be determined solely by the BD. Such payments will be paid by, or as directed by and on behalf of, the BD.

(b) All commissions received for transactions in variable products will be reported on the BD's FOCUS and FINRA Fee Assessment Reports.

(c) The Parties agree that the compensation will be in accordance with all regulatory requirements and will be incorporated by reference to this Agreement in the compensation schedule to be subscribed by the Parties.

**13. Books and Records.**

(a) IA will maintain the books, accounts and records of the Dual Representatives as required by applicable insurance laws and regulations. Any books and records related to transactions in variable products maintained by IA will be the books and records of the BD and will be made readily accessible to the staff of the SEC, the OCFI, to FINRA, to any other SRO, or to other relevant federal and state governmental authorities, upon request.

(b) BD will maintain all required books and records related to transactions in variable products at its offices in Puerto Rico, and will make them readily accessible to the staff of the SEC, the OCFI, to FINRA, to any other SRO, or to other relevant federal and state governmental authorities, including state insurance regulators, upon request. BD will ensure that these books and records comply with all applicable statutory and regulatory requirements of the federal and state securities laws

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and SRO rules, including Section 17(a) of the Exchange Act and the rules thereunder.

**14. Tax Reporting Responsibility.**

The Parties will be solely responsible under applicable tax laws for reporting the compensation paid to its Dual Representatives, respectively, and for any withholding of taxes from compensation paid to Dual Representatives, including, without limitation, FICA, FUTA, and federal and Puerto Rico income taxes.

**15. Bonding.**

(a) BD represents that all of its directors, officers, employees, and registered agents of the BD who are appointed pursuant to this Agreement as Dual Representatives are and will be covered at all times by a fidelity bond, including coverage for larceny and embezzlement, which fidelity bond will be issued by a reputable bonding company. BD will maintain this bond in effect at its expense. Such bond will be, at least, of the form, type and amount required under the FINRA Conduct Rules. IA may require evidence, satisfactory to it, that such coverage is in force, and BD will give prompt written notice to IA of any cancellation or change of coverage.

(b) BD hereby assigns any proceeds received from the fidelity bonding company to IA to the extent of each loss due to activities covered by the bond. If, after the proper investigation, it is determined by the parties that a BD Dual Representative has acted with gross negligence or with willful misconduct, BD will promptly pay any deficiency amount, as a result of a deductible provision or otherwise. BD hereby indemnifies and holds IA harmless from any such deficiency and from the costs of collection thereof, including reasonable attorneys' fees.

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**16. Investigations; Customers Complains.**

(a) The Parties agree to cooperate fully in any insurance, securities or other regulatory or judicial investigation or proceeding arising in connection with the variable contracts.

(b) The Parties further agree to cooperate in resolving all customer complaints with respect to the Variable Contracts and/or the Dual Representatives.

**17. General Provisions.**

(a) Neither party will assign this Agreement without a prior written notification to and written approval of the other party. Any assignment of this Agreement must first be authorized by the OCFI and the OIC.

(a) This Agreement is the entire agreement and understanding between Parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings among such parties. No course of dealing, course of performance or parole evidence will be used to supplement or modify any terms hereof.

(c) Any provision of this Agreement which is found to be invalid, void or illegal will in no way affect or invalidate any other provision hereof and such other provisions will remain in full force and effect.

(d) This Agreement may only be amended, in writing, by both Parties, after such amendments are duly authorized by the OCFI and the OIC.

(e) Failure of any Party to insist upon strict compliance with any of the conditions of the Agreement will not be construed as a waiver of any of the conditions, but the same will remain in full force and effect. No waiver of any of the provisions of this

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Agreement will be deemed a waiver of any other provisions, whether or not similar, nor will any waiver constitute a continuing waiver.

(f) This Agreement will be binding on and will inure to the benefit of the Parties and their respective successors and permitted assigns.

(g) This Agreement is made in the Commonwealth of Puerto Rico and all questions concerning its validity, construction or otherwise will be determined under the laws of the Commonwealth of Puerto Rico.

#### **18. Termination.**

(a) This Agreement may be terminated, without cause, at any time by either Party, upon thirty days' prior written notice to the other party, and may be terminated immediately for cause.

(b) For purposes of this section, "cause" will include:

(i) failure to return money to clients where appropriate, failure to account for any money received from or on behalf of client, or in violation of any federal or Puerto Rico law or regulation or violation of any of the terms of this Agreement.

(ii) failure to perform in accordance with the requirements of this Agreement and any default is not cured within 10 days from receipt of notice, or

(iii) if BD ceases to be registered under the Exchange Act or ceases to be a member in good standing with the FINRA.

(iv) if IA ceases to be authorized or ceases to be in good standing with the OCI.

(c) Notice of the termination of this Agreement must be delivered to the OCFI and the OCI, within the next ten (10) days from the termination date.



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(d) Notices to each Party will be addressed to its principal office, as follows:

{Insert respective addresses}

IN WITNESS WHEREOF, the Parties have executed this Agreement, the day and year first written above.

[Insert name of broker dealer]  
Agent]

[Insert name of Insurance

By

By

Name

Name

Title

Title

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