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# Summary of Exemption 84-24

*Exemption 84-24 allows agents, who may be acting in a fiduciary capacity in the sale of a qualified annuity to receive compensation for that sale without facing significant penalties that can be assessed by the IRS and/or DOL. If an agent is determined, on review by the DOL, to have acted as a fiduciary in the sale of a qualified annuity AND the agent does not utilize an appropriate exemption, then the agent will be deemed to have participated in a "prohibited transaction" and can be subject to significant fines and penalties. This document provides an overview of the requirements of exemption 84-24.*

**Applicability:** Exemption 84-24 can be applied to the sale of all insurance annuity contracts and allows the payment of fee and commission based compensation to a sales representative/agent who is acting as a fiduciary.

### **Requirements of the Exemption:**

- (a) The sale is on terms at least as favorable as an arms-length transaction with a third party,
- (b) Total fees, commissions and other payments to the agent and insurance company is reasonable compensation when compared with other products in the marketplace with similar features.
- (c) The following information is accurately provided in writing, in a manner intended to be understood by people who are not experts in insurance or annuity products prior to application for the product:
  - i. Any affiliation between the sales representative/agent and the insurance company.
  - ii. The sales commissions expressed as a percentage of first year premium as well as any trailing or renewal commissions or fees.
  - iii. A description of the charges, fees, discounts, penalties or adjustments which can be imposed against assets in the contract.
  - iv. Acknowledgement, by the customer of receiving the information described in this (c).
  - v. Acknowledgement that the customer is not receiving any direct compensation from the purchase or holding of the product and is not affiliated or related to parties who are receiving such compensation.
  - vi. Authorization by the customer, for the purchase to proceed.

**Renewing the Written Disclosures:** to continue to comply with the exemption the 84-24 Disclosure and Acknowledgement should be issued to the customer:

- (a) Prior to submission of the initial application
- (b) Any time there is a material change to the annuity or coverage (including the applicable fee schedule thereunder)
- (c) Any time a new rider or addendum is added to the contract,

**Retention Period:** The executed 84-24 Disclosure and Acknowledgement form and any documents provided to the customer (e.g., prospectus or brochure) need to be retained by the Agent for a period of no less than six years from the date of execution.