



Member FINRA & SIPC
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AN SEC REGISTERED INVESTMENT ADVISOR

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June 8th, 2016

Dear Financial Advisor:

Most of you are probably not aware, but recently a new rule change occurred regarding supervision of fixed annuities. Specifically, the new rule created by the National Association of Insurance Commissioners (NAIC) titled "**Suitability In Annuity Transactions Model Regulation**" has been approved by nearly all states. This new regulation which is not FINRA imposed, but rather the Department of Insurance for states requires a suitability review and approval of fixed annuity transactions.

In fact, most insurance carriers no longer perform their own suitability reviews and instead have contracted with third parties, such as KSI, to conduct the suitability review. KSI currently requires prior review and approval for all equity indexed annuity transactions. However, **effective August 1st, 2016** KSI will also require prior review and approval for all fixed annuity transactions. The Regulation requires a suitability review that is similar to suitability reviews required by FINRA. Accordingly, all fixed annuity transactions will require completion of the following forms which are located within our Intouch website:

- the KSI Client Profile Form
- the KSI Equity Indexed Annuity/Fixed Annuity Application
- the carrier Application
- based on the transaction, any other applicable forms such as the KSI Liquidation Form or the Florida Annuity Suitability Questionnaire

All fixed insurance commissions will be paid through KSI; commissions will no longer be paid directly to the Registered Representative by the carrier. Registered Representatives will receive **a 100% payout of street level compensation on fixed annuity contracts**. Additionally, all Equity Indexed Annuities/Fixed Annuities will be required to be processed through one of our approved Field Marketing Organizations (FMO). We are in the process of consolidating our approved FMO list and will have the updated approved list available soon in the Fixed Insurance link accessible through KSI InTouch.

I know that this change may be an inconvenience, however we believe that more regulatory changes will continue to occur and we'll do our best to protect you and your client's interests.

We trust that you are enjoying the start of your summer and look forward to seeing at the National Conference in September. Thanks again for being part of our Firm and we look forward to continuing to grow your business. If you have any questions, then please contact Jim Yates at 954-670-0622 or at jim@kovacksecurities.com.

Sincerely,

Brian Kovack,
President