

The Association of Life Insurance Counsel
2005 Annual Meeting
The Greenbrier
White Sulphur Springs, West Virginia
May 22-24, 2005

Living with the SEC's New Compliance Program Mandate (Rule 38a-1)

Amy J. Lee
Security Benefit Life Insurance Company

I. Introduction

This outline discusses the challenges to insurance companies in living with Rule 38a-1 under the Investment Company Act of 1940. Many insurers scrambled to meet the Rule's October 5, 2004 deadline for adopting comprehensive written compliance policies and procedures for their registered variable insurance product operations. On October 6, 2004, many who were involved in developing such policies and procedures realized that they had completed only the first step of a long-term compliance undertaking. As discussed herein, the challenge of Rule 38a-1 lies in ongoing oversight of compliance policies and procedures, including ongoing risk assessment and analysis, and updates to policies and procedures in response to new and evolving risks.

The Securities and Exchange Commission ("SEC") adopted Rule 38a-1 under the Investment Company Act of 1940 on December 17, 2003.¹ The rule requires investment companies registered with the SEC ("Funds"), including insurance company separate accounts registered as unit investment trusts ("Separate Accounts"), to implement comprehensive written policies and procedures reasonably designed to prevent violations of the Federal Securities Laws.² Funds were required to have adopted such written compliance policies and procedures and to have designated a chief compliance officer by October 5, 2004. Because Separate Accounts do not have a board of directors, Rule 38a-1 provides that a Separate Account's principal underwriter or insurance company depositor must: (i) approve the Separate Account's policies and procedures and its chief compliance officer ("CCO"), (ii) receive all annual reports from the CCO, and (iii) approve the removal of the CCO from his or her rights and responsibilities.

As of October 5, 2004, a Separate Account's depositor or principal underwriter should have completed the following steps:

¹ Compliance Programs of Investment Companies and Investment Advisers, Investment Company Act Release No. 26299 (Dec. 17, 2003), 68 Fed. Reg. 74,714 (Dec. 24, 2003) ("Adopting Release").

² Rule 38a-1 defines "Federal Securities Laws" to include the Securities Act of 1933, the Securities Exchange Act of 1934, the Sarbanes-Oxley Act of 2002, the Investment Company Act of 1940, the Investment Advisers Act of 1940, and Title V of the Gramm-Leach Bliley Act, and any rules adopted by the SEC under any of these statutes, the Bank Secrecy Act as it applies to UIT Separate Accounts (anti-money laundering), and any rules adopted thereunder by the SEC or the Department of the Treasury.

1. Adoption and implementation of written policies and procedures reasonably designed to prevent violations of the Federal Securities Laws by the Separate Account;
2. Adoption and implementation of written policies and procedures for oversight of compliance by the principal underwriter and other service providers to the Separate Account; and
3. Designation of one individual as CCO who is responsible for administering the Separate Account's compliance policies and procedures.

Rule 38a-1 requires that Funds review, no less frequently than annually, the adequacy of the compliance policies and procedures and the effectiveness of their implementation. The first such annual review is required no later than eighteen months after the adoption or approval of the compliance policies and procedures. The CCO must submit the first annual report to the Separate Account's principal underwriter or depositor within sixty calendar days of the completion of the annual review. Assuming that compliance policies and procedures were adopted in September 2004, the following deadlines would apply:

1. Completion of the first annual review by March 2006; and
2. Submission of first annual report to the Separate Account's principal underwriter or depositor within sixty days thereafter.³

II. Approval of Compliance Program

There are some differences in establishing a compliance program for Separate Accounts versus other registered investment companies. Because a Separate Account does not have a board of directors, Rule 38a-1 provides that the insurance company depositor or the principal underwriter must approve the Separate Account's policies and procedures and chief compliance officer.⁴ The rule does not specify who at the depositor or principal underwriter should approve the compliance policies and procedures. One approach is to ask the board of directors of the depositor or principal underwriter to delegate responsibility to a committee of management for adopting and approving the written compliance policies and procedures with respect to each Separate Account and receiving (along with the board of directors), and reviewing (in consultation with the board of directors), the annual reports prepared by the CCO. This approach relieves directors who may not be overly familiar with Separate Account operations and regulatory requirements of the responsibility for adopting and approving written compliance policies and procedures but provides the opportunity to oversee the process and receive the CCO's annual reports. The committee, like the CCO, should consist of officers who have sufficient organizational position and seniority to have credibility with the board of directors and the clout to address compliance issues brought to their attention by the CCO. Attachments A and B hereto set forth a form of resolution to so delegate

³ The annual report must at a minimum address: (a) the operation of the policies and procedures of the Separate Account and its service providers, (b) any material changes to the policies and procedures since the date of the last report, (c) any material changes to the policies and procedures recommended as a result of the fund's annual review, (d) each material compliance matter that occurred since the date of the last report.

⁴ The rule does not require that the principal underwriter or depositor approve the CCO's compensation.

responsibility to a management committee and a form of approval by such a committee.⁵ The Separate Account is required to maintain for a period of five years a copy of the Separate Account's policies and procedures and any materials provided in connection with the approval of the Separate Account's and any service providers' policies and procedures.

III. Monitoring of Compliance Policies and Procedures

A. Insurance Company Challenges

Insurance companies face different challenges from those of the mutual fund industry in responding to Rule 38a-1's mandate to develop written compliance policies and procedures. The mutual fund industry has a long history of compliance policies and procedures for valuation processes, investment compliance, codes of ethics, etc. Such policies and procedures typically include not just an outline of the regulatory requirements but procedures for monitoring compliance and addressing problems. For many mutual fund complexes, the approach to compliance with the rule in simplified terms consisted of taking stock of existing compliance policies and procedures and filling in any gaps identified in the course of a risk analysis conducted for each fund. Mutual fund complexes then faced the challenge of presenting information to their boards of directors in a manner that, without overwhelming directors with information, allowed the board to make the required determination that the written compliance policies and procedures of the fund and its service providers were reasonably designed to prevent violations of the Federal Securities Laws.

In contrast, Separate Account CCOs in many instances assessed policies and procedures that were more operational in nature and focused on how to process a particular function, for example procedures for calculating accumulation unit values. Such operational policies and procedures were likely developed for operational personnel and were more focused on systems than compliance functions. As a result, many Separate Account CCOs were faced with the challenge of evaluating operational policies and procedures and confirming that they were consistent with regulatory requirements and then developing compliance policies and procedures to support the relevant function. In addition, it is not uncommon for such operational policies and procedures to omit procedures for monitoring compliance with regulatory requirements and correction of any process failures. Separate Account CCOs would then be required to develop procedures to monitor and correct deficiencies for operational areas with complicated processing functions.

Another challenge that Separate Account CCOs may face is a corporate culture that may be less attuned to the requirements of the Federal Securities Laws. Because insurance companies in many instances have a more diverse product mix that includes

⁵ Any checklist for establishing a new Separate Account should include the requirement to adopt and implement compliance policies and procedures for such Separate Account and to have the insurance company depositor or principal underwriter approve such policies and procedures as well as the policies and procedures of any service providers and to designate a CCO for the new Separate Account.

traditional insurance products and fixed annuities that are not subject to regulation by the SEC, some administrative personnel and departments may be less familiar with potential regulatory issues, and accordingly, may pose potential risks and challenges for the CCO. For example, the CCO will need to rely on certain operational areas for reporting up the ladder any compliance exceptions. If the operational areas do not understand the importance of, and do not make, the required reports, the CCO will need to deal with such failures through additional training for staff in the area and possibly recommend disciplinary action for the failure.

B. Administration of Compliance Program

The SEC adopting release states that “[t]he policies and procedures should be designed to *prevent* violations from occurring, *detect* violations that have occurred, and *correct promptly* any violations that have occurred.” In essence, an effective compliance program includes: (1) initial and ongoing risk assessment; (2) a system of internal controls and compliance testing; and (3) processes to ensure prompt reporting and correction of any violations.

1. Risk Assessment

An important first step in creating compliance policies and procedures is an assessment of potential risks. For Separate Accounts that already have a compliance program in place, this process is still relevant as it should be done on an ongoing basis. Lori Richards, the Director of the SEC’s Office of Compliance and Examinations, has stated that “if the compliance program is to be dynamic, it must be subjected to continual assessment and reassessment in light of new risks.”⁶

The SEC adopting release identified certain critical areas that should be addressed by a Fund’s policies and procedures, as follows: (1) pricing of portfolio securities and fund shares; (2) processing of fund shares; (3) identification of affiliated persons; (4) protection of non-public information; (5) compliance with fund governance requirements; (6) market timing; (7) portfolio management processes; (8) trading practices; (9) personal trading; (10) accuracy of disclosures made to investors, clients, and regulators, including account statements and advertising; (11) safeguarding of client assets; (12) accurate creation and maintenance of records; (13) marketing; (14) valuation of assets and assessment of fees; (15) privacy of client records and information; and (16) business continuity plans. Although this list includes some items that are not applicable to Separate Accounts, it provides a good starting place for building compliance policies and procedures and identifying areas of focus for risk monitoring. The Adopting Release also noted with regard to Separate Accounts that the CCO must oversee the processing of new account applications, premium payments and exchanges.⁷

⁶ Lori Richards, Remarks before the Investment Company Institute/Independent Directors Council Mutual Funds Compliance Programs Conference (June 28, 2004).

⁷ Adopting Release at n. 92.

In the current environment, risk areas under consideration by Separate Account CCOs also include:

1. Market timing;
2. Late trading;
3. Accumulation unit value calculations;
4. Distribution activities (e.g., suitability and compensation to brokers in addition to compensation under standard commission schedules and other potential conflicts of interest and appropriate disclosure of any conflicts of interest);
5. Anti-money laundering programs; and
6. Privacy issues.

CCOs can identify risks through interviews with management, review of past regulatory exams, discussions with internal auditors and outside counsel, regulatory updates disseminated by industry trade organizations, areas where the company has experienced compliance problems in the past, and monitoring of rulemaking, sweep exams and other regulatory actions.

Once a CCO has identified potential risk areas, the CCO should determine which areas pose the greatest risk for the Separate Accounts. For example, market timing continues to be an area of focus for regulators; however, if the CCO is comfortable that the Separate Account through the relevant service provider has taken appropriate steps to address market timing, he or she may determine to focus on other risk areas.

Many insurance companies have formed committees to monitor and discuss ways to address those compliance issues that pose the most risk to Separate Account operations.⁸ Such committees would typically consist of representatives from the key operational areas. This approach can be helpful to CCOs in that the committee members are on the front lines of processes that implicate the Federal Securities Laws, and they can provide a practical sense of areas that may pose risk to the Separate Account and how best to address that risk. For example, in dealing with late trading issues, the director of a company's call center may be able to provide reports on problems with processing transactions in accordance with Rule 22c-1 and can suggest ways that any such problems could be addressed effectively.

The committee can assist the CCO in prioritizing risk areas to be addressed based upon knowledge of the day-to-day workings of their areas. A potential risk may be identified by the CCO but the committee members may have practical information about the company's level of exposure to that specific area of risk. The committee also provides a convenient forum for ongoing training on compliance-related matters and committee members can help identify processes and personnel where additional training would be helpful.

⁸ CCOs should be mindful of the fact that although the SEC staff would likely view favorably a committee formed to monitor compliance risks, the staff would also be troubled by risks that were identified but not addressed.

2. Annual Review

Rule 38a-1 requires that Funds review, no less frequently than annually, the adequacy of the policies and procedures of the Fund and its service providers and the effectiveness of their implementation. The term “annual review” could be interpreted to mean a process conducted at the end of the year to assess the adequacy and effectiveness of the compliance program. As a practical matter the annual review should be the culmination of ongoing work throughout the year. The CCO should determine the scope of the review based upon the risk assessment discussed above, develop a timeline for the annual review, and allocate responsibility for conducting such review. For example, the CCO may determine to focus on the following areas: (1) processing of new account applications, premium payments and exchanges, including market timing and late trading issues; (2) privacy of customer information; (3) payments of additional compensation to selling brokers and appropriate disclosure of such compensation arrangements; (4) anti-money laundering program; (5) customer mailings, including prospectuses, statements of account and confirmations; and (6) product advertising. The CCO would also review other areas of the compliance program but may elect to devote more resources to the areas identified as higher risk.

The CCO will need to rely on objective testing of the effectiveness of compliance policies and procedures, and the CCO will want to focus first on those areas that have been identified as posing the most risk. The CCO has the challenge of finding adequate resources to test the compliance system, which in most instances will cover a large number of processes. The CCO must be willing to ask for adequate resources, including adequate staff, to fulfill the monitoring function under the compliance policies and procedures. A CCO will likely rely on some or all of the following monitoring tools:

1. Exception reports;
2. Internal audits;
3. SAS 70 reports;
4. Inspections by the CCO’s staff;
5. Certifications of compliance from service providers;⁹
6. Interviews with key staff who are involved in the applicable processes; and
7. Review of the compliance program by third party experts.

This ongoing monitoring should be documented and will form a basis for the annual report on the operation of the compliance policies and procedures. The monitoring process should include a review of the controls built into the compliance policies and procedures and an assessment of how well those controls are performing. If no compliance problems are being identified, the CCO should consider whether the low rate of problems is based upon a failure to identify problems rather than the effectiveness of the program. The CCO should also monitor the adequacy of how identified problems are addressed.

⁹ See attachment C for a sample questionnaire developed by an insurance company depositor for completion by a third party administrator of variable annuity contracts.

In assigning responsibility for review of the compliance program, it may make sense to seek the help of the internal audit department for testing of certain areas. The CCO also may seek the help of outside counsel if an area is deemed to be particularly sensitive and it is deemed desirable to maintain attorney-client privilege in conjunction with the review. Outside counsel also may be better qualified to assist in areas that involve more complicated legal issues, while auditors are better equipped to conduct back testing of transactions to help identify systemic problems. In any case, the SEC staff has indicated that they will consider the adequacy of such testing and oversight when they examine firms for compliance with Rule 38a-1.

Because the compliance policies and procedures are broad and effectively cover all aspects of Separate Account operations, a CCO needs to begin the monitoring process immediately and assign resources to review the various aspects of the compliance program in order to complete the annual review by March 2006.

3. Annual Report

Rule 38a-1 requires a written report no less frequently than annually that at a minimum addresses: (1) the operation of the compliance policies and procedures of the Separate Account and its service providers, (2) any material changes made to those policies and procedures since the date of the last report, (3) any material changes to the policies and procedures recommended as a result of the annual review conducted by the CCO, and (4) any material compliance matter since the date of the last report. As noted above, the annual report is due within 60 days of completion of the annual review and should be delivered to the principal underwriter or depositor.

The annual report should outline the scope of the annual review and should include a report on the results of the annual review. The CCO may wish to delegate preparation of those sections of the report to the individuals or third parties conducting the reviews. The CCO will need to evaluate the results of the annual review and determine whether any material changes to the policies and procedures should be recommended as a result of the annual review. The CCO is also required to report on any material changes to the policies and procedures, and any material compliance matters, which occurred during the prior year. A material compliance matter is any compliance matter about which the principal underwriter or depositor would reasonably need to know to oversee Separate Account compliance. The annual report is provided to the board of directors and/or management committee, as applicable, of the principal underwriter or depositor. The annual report provides an opportunity for the board of directors and/or management committee to focus on the adequacy of the compliance program and determine whether any changes are needed. The annual report should provide adequate information for the directors or committee members to assess the adequacy of the compliance program and the effectiveness of its implementation.¹⁰

¹⁰ Copies of documentation of the CCO's annual review and any annual reports provided to the principal underwriter or depositor are required to be maintained for a period of at least five years after the end of the fiscal year in which the annual review was conducted, the first two years in an easily accessible place.

IV. Conclusion

As discussed above, the insurance company depositor or principal underwriter of a Separate Account is charged with ensuring that the Separate Account and its service providers have in place effective compliance policies and procedures. The insurance company depositor or principal underwriter must ensure that the CCO has adequate resources to oversee such compliance policies and procedures and monitor and address new risks as they arise. The key to a successful compliance program is a CCO with adequate resources to conduct effective ongoing risk monitoring and compliance testing and address any identified risks and compliance failures.

[Company Name]
Board of Directors Meeting
[Date]

WHEREAS, on _____, the Board of Directors of _____ (the "Company"), established _____ (the "Separate Account") in accordance with _____ law, which separate account is registered as a unit investment trust under the Investment Company Act of 1940 (the "1940 Act");

WHEREAS, the Company as depositor for the Separate Account, will maintain a compliance program for the Separate Account that meets the requirements of Rule 38a-1 under the 1940 Act (the "Rule 38a-1 Compliance Program");

WHEREAS, the Rule 38a-1 Compliance Program must provide for: (i) the adoption and implementation of written policies and procedures reasonably designed to prevent violation of the Federal Securities Laws (as defined by Rule 38a-1) by the Separate Account—including oversight of compliance by the principal underwriters and administrators through which the Separate Account conducts its activities (collectively, the "Service Providers"); (ii) the review, no less frequently than annually, of (a) the adequacy of the written compliance policies and procedures of the Separate Account and of the Service Providers of the Separate Account and (b) the effectiveness of the implementation of such written compliance policies and procedures; and (iii) the designation of a chief compliance officer ("CCO") who shall have full authority to develop, administer and enforce the Rule 38a-1 Compliance Program for the Separate Account, including the written compliance policies and procedures for the Separate Account that are approved by the Company, as depositor for the Separate Account;

WHEREAS, the Board of Directors of the Company, on behalf of the Separate Account wishes to designate a CCO with full responsibility and authority to develop, administer and enforce the Rule 38a-1 Compliance Program, as amended from time to time;

WHEREAS, Rule 38a-1 prohibits any officer, director, or employee of a registered investment company, its investment adviser, or principal underwriter, or any person acting under such person's direction, from directly or indirectly taking any action to coerce, manipulate or mislead, or fraudulently influence the CCO in performance of his or her duties;

WHEREAS, the Company, on behalf of the Separate Account, wishes to adopt written compliance policies and procedures for the Separate Account that meet the requirements of Rule 38a-1;

WHEREAS, Rule 38a-1 requires the Company, as depositor of the Separate Account, to perform the following duties: (i) approve the compliance policies and procedures of the Separate Account and each of its Service Providers, (ii) approve the CCO for the Separate Account, (iii) receive and review all annual (and interim) reports prepared by the CCO, and (iv) approve the removal of the CCO from his or her responsibilities;

WHEREAS, the Board of Directors of the Company intends to delegate to a management committee of the Company ("Management Committee") the performance of certain of the duties that Rule 38a-1 requires the Company, as depositor of the Separate Account, to perform.

RESOLVED, That, based upon the information provided to the members of the board of directors of the Company (the "Board") at this meeting:

(i) _____ is hereby designated as CCO for the Separate Account for purposes of Rule 38a-1, such designation is approved by the Board, and the CCO shall:

- report directly to and serve at the pleasure of the Board, removal from her responsibilities requiring the action and approval of the Board;
- have the full responsibility and authority to develop, implement, administer, and enforce the Rule 38a-1 Compliance Program, as amended from time to time;
- prepare written reports ("Written Reports"), no less frequently than annually after the undertaking of a regular, timely review (at frequencies required by Rule 38a-1) of the adequacy of such policies and procedures of the Separate Account and each Service Provider of the Separate Account, as amended from time to time, including the effectiveness of their implementation, which shall address each "material compliance matter" (as defined by Rule 38a-1) that has occurred since the date of the last such Written Report;

(ii) no member of the Board, and no person acting under the direction of a member of the Board, shall directly or indirectly take any action to coerce, manipulate or mislead, or fraudulently influence the CCO in the performance of his or her duties under Rule 38a-1; and

(iii) the Board will receive and review along with the Management Committee the Written Reports prepared by the CCO.

RESOLVED FURTHER, That the Board of Directors of the Company hereby appoints a Management Committee consisting of _____, _____, and _____, and the Management Committee is hereby authorized to take such actions as are necessary to perform certain of the Company's duties under Rule 38a-1 as depositor of each Separate Account, including:

(i) adopting and approving the written compliance policies and procedures with respect to each Separate Account, including policies and procedures that provide for the oversight of the compliance by the principal underwriter, administrator, and any other Service Providers for each Separate Account, and approving the compliance policies and procedures of each Service Provider, based on a finding that the written policies and procedures are reasonably designed to prevent violations of the Federal Securities Laws (as defined by Rule 38a-1); and

(ii) receiving (along with the Board), and reviewing (in consultation with the Board), the Written Reports prepared by the CCO.

RESOLVED FURTHER, That appropriate officers and other agents of the Company, acting on behalf of the Separate Account, are, and each of them is, hereby authorized and directed in the name and on behalf of the Company (acting on behalf of a Separate Account), to take all such steps as any one or more of such officers or other agents may at any time or times deem necessary or desirable to effectuate the purpose and intent of the foregoing resolutions.

Attachment B
Form of Management Committee Approval

Rule 38a-1 Approvals by
Management Committee of
[Company Name]
[Date]

WHEREAS, the Board of Directors of _____ (the "Company") has appointed at its meeting of September 27, 2004, a Management Committee consisting of _____, _____, and _____; and

WHEREAS, the Board of Directors at its meeting of [date], authorized the Management Committee to perform certain of the Company's duties as depositor of its separate accounts that are registered as unit investment trusts under the Investment Company Act of 1940 (the "Separate Accounts") as required by Rule 38a-1 under the Act, including:

- Adopting and approving the written compliance policies and procedures with respect to each Separate Account, including policies and procedures that provide for the oversight of the compliance by the principal underwriter, administrator, and any other service providers for each Separate Account, and approving the compliance policies and procedures of each Service Provider, based on a finding that the written policies and procedures are reasonably designed to prevent violations of the Federal Securities Laws (as defined by Rule 38a-1); and
- Receiving (along with the Board of Directors of the Company), and reviewing (in consultation with the Board), annual written reports prepared by the Chief Compliance Officer ("CCO") as required by Rule 38a-1; and

WHEREAS, the [insert title] has presented to the other members of the Management Committee a copy of the written compliance policies and procedures of the Separate Accounts and service providers to the Separate Accounts (i.e., [insurance company] and [principal underwriter]), and has described for the other members of the Management Committee the approach taken by the CCO with the assistance of the _____ Counsel in developing the written compliance policies and procedures, the areas covered by such compliances policies and procedures, and the CCO's planned approach with regard to ongoing review of the adequacy of such policies and procedures of the Separate Accounts and each service provider thereof;

NOW, THEREFORE, The Management Committee hereby:

1. Finds that the written compliance policies and procedures of the Separate Accounts are reasonably designed to prevent violations of the federal securities laws, as defined in Rule 38a-1 ("Federal Securities Laws"), by the Separate Accounts; and
2. Finds that the written compliance policies and procedures of the service providers to the Separate Accounts, _____ and _____, are reasonably designed to prevent violations of the Federal Securities Laws by such service providers; and
3. Adopts and approves the written compliance policies and procedures of the Separate Accounts, including policies and procedures that provide for the oversight of compliance by the service providers, _____ and _____; and

4. Approves the written compliance policies and procedures of their service providers,
_____ and _____.

IN WITNESS WHEREOF, the members of the Management Committee have signed below on
this [date].

[Insert signatures of committee members]

_____ **LIFE INSURANCE COMPANY**
RULE 38A-1 COMPLIANCE PROGRAM QUESTIONNAIRE

The SEC has adopted Rule 38a-1 under the Investment Company Act of 1940 (the “Compliance Rules”). The Compliance Rules require investment companies (including variable insurance product separate accounts) and investment advisers to adopt and implement written policies and procedures that are designed to prevent violations of the federal securities laws (“Compliance Procedures”) and to designate a Chief Compliance Officer (“CCO”) to administer the Compliance Procedures. Among other things, each variable insurance product separate account must provide for the oversight of compliance by its service providers (“Service Providers”). The Board of Directors (the “Board”) of _____ (“_____”) which sponsors separate accounts will be presented with information regarding the Compliance Procedures of each Service Provider from time to time and will be asked to approve those Procedures.

_____ (“Administrator”), in its capacity as administrator for the annuity contracts (the “Contracts”) identified in the Administrative Services Agreement (the “Agreement”) between _____ and Administrator, is a Service Provider for certain of _____’s separate accounts. This Questionnaire is designed to provide the Board with appropriate assurances that Administrator is in compliance with the Compliance Rules. **Please respond to each of the items below and return this questionnaire to _____, Chief Compliance Officer, _____ by [insert date].**

Name of Service Provider:

1. Please identify your CCO and describe his or her experience and qualifications.

2. Please describe the steps you have taken and plan to take to review your Compliance Procedures and comply with the Compliance Rules?
 - 2.1 Have you conducted an inventory of all current Compliance Procedures?

 - 2.2 Have you produced a list of Compliance Procedures that you have identified as necessary to satisfy the Compliance Rules?
 - (a) Please indicate whether you have adopted or are planning to adopt Compliance Procedures covering the qualification and licensing of producer firms and registered representatives. If adopted, please provide a brief description of such Procedures.

- (b) Please indicate whether you have adopted or are planning to adopt Compliance Procedures covering the processing of premium payments and redemptions relating to the Contracts. If adopted, please provide a brief description of such Procedures.
 - (c) Please indicate whether you have adopted or are planning to adopt Compliance Procedures covering the processing of transactions, claims and other requests relating to the Contracts. If adopted, please provide a brief description of such Procedures.
 - (d) Please indicate whether you have adopted or are planning to adopt Compliance Procedures covering the processing of commission payments relating to the Contracts. If adopted, please provide a brief description of such Procedures.
 - (e) Please indicate whether you have adopted or are planning to adopt Compliance Procedures covering the delivery of annual and semi-annual reports to contract owners. If adopted, please provide a brief description of such Procedures.
 - (f) Please indicate whether you have adopted or are planning to adopt Compliance Procedures covering the delivery of prospectuses, statements of additional information, transaction confirmations and account statements relating to the Contracts. If adopted, please provide a brief description of such Procedures.
- 2.3 Have you done an analysis identifying Compliance Procedures that must be developed or enhanced?
- 2.4 Have you assessed the effectiveness of your existing Compliance Procedures?
- 2.5 Have you engaged a third party (e.g., law firm, consulting firm, public accounting firm) to assist you with the development of Compliance Procedures? If you have, please describe the nature and scope of the engagement.
3. Have you engaged or do you plan to engage a third party to provide ongoing assistance with the implementation of your Compliance Procedures? If you have, please describe the nature and scope of the engagement.
4. Have your Compliance Procedures been finalized? If not, please indicate the date upon which such Procedures will be finalized.
5. Please describe the steps you plan to take to monitor compliance with your Compliance Procedures.