



Farmers Financial Solutions

DISCLOSURES REGARDING OBLIGATIONS, COMPENSATION, CONFLICTS AND RISKS

General Description

Farmers Financial Solutions, LLC (FFS or the Firm), is a Broker-Dealer firm registered with the Securities and Exchange Commission (SEC), Financial Industry Regulatory Authority (FINRA), Municipal Securities Rulemaking Board (MSRB), and State Securities Divisions. FFS is also a General Insurance Agency licensed in multiple states in which Farmers operates business. FFS is owned by FFS Holding, LLC which is wholly-owned by Mid-Century Insurance Company. Mid-Century Insurance Company is owned by three inter-insurance exchanges that are owned by their policyholders.

FFS' registered representatives (RRs) are also insurance agents appointed with companies comprising the Farmers Insurance Group of Companies (Farmers) and who are sometimes referred to as Farmers Insurance and Financial Services Agents and certain staff, known as Agency Producers.

FFS' RRs are qualified to make securities recommendations by holding licenses and registrations required for a specific type of security. You should ask your RR for any limitations. To check on licenses, and for more background information on FFS or its Registered Representatives (RRs), visit FINRA's BrokerCheck at www.finrabrokercheck.com or call the BrokerCheck toll-free Hotline at (800) 289-9999. You may obtain information about the Securities Investors Protection Corporation (SIPC) including the SIPC Brochure, by contacting SIPC at (202) 371-8300 or via the internet at www.sipc.org. FFS is registered with the US Securities and Exchange Commission and the Municipal Securities Rulemaking Board (MSRB). The MSRB website is accessible at www.msrb.org. It includes an Investor Brochure that describes the protections that may be provided by the MSRB and how to file a complaint with the appropriate regulatory authority.

Summary of Type and Scope of Services and Recommendations

FFS is engaged solely in the sale of variable universal life insurance policies, annuity contracts, mutual funds and municipal fund securities (529 Plans). FFS offers a limited selection of investments. Other firms could offer a wider range of choices, some of which might have lower costs. FFS conducts due diligence of such products and services and believes these products best serve the customer base of the Firm. Recommendations are limited to these products. While FFS' RRs may provide general education and/or information on other security types, customers who seek specific recommendations regarding whether to purchase (or to sell existing holdings of) other security types – including common stock, bonds ETFs - need to engage with another firm. FFS recommendations may also include whether to open certain types of accounts with the Firm including various types of IRAs and transfers of accounts from other broker-dealers.

If based on an RR recommendation or a customer determines to roll assets out of a retirement plan such as a 401(k) plan and into an individual IRA with FFS, a financial incentive exists because the Firm will be paid on the assets through the compensation described in this document. Customers should be aware that such fees and commissions will likely be higher than those paid through the plan. There may additional charges incurred when liquidating assets because plan securities generally may not be transferred to an IRA.

The Firm and RRs will not monitor the performance of the accounts or previously recommended investments on an ongoing or on any periodic basis. Such recommendations are generally of a longer term, goal-oriented nature, and typically may include investing for retirement, college education, estate protection using variable life insurance or other life event-oriented goals and objectives. However, customers and RRs may voluntarily meet to review investments and to determine whether to provide further recommendations.

In determining the number and which particular variable universal life insurance policies, annuity contracts, mutual funds and 529 Plans to recommend to customers, FFS employs a new product due diligence process and conducts a periodic product review that selects, retains and changes products based on a wide range of factors regarding features, costs, credit ratings and performance. The features and risks of these products are discussed in more detail below. RRs are limited to those securities approved by the Firm for recommendation. RRs may also utilize software and hypothetical illustration tools from product sponsors, other independent vendors and software developers in making recommendations to customers.

For variable universal life insurance policies, FFS currently limits recommendations primarily to a single provider as follows. FFS is the sole distributor for Farmers New World Life (FNWL) VUL products. While FNWL and FFS do not share any common or joint ownership interests, both conduct business under the Farmers® brand. A second VUL provider, Equitable, is recommended where FNWL is currently not approved for recommendations and on a case by case basis in other states where the policy is declined by FNWL or the product does not offer features that are in the best interest of the customer including long term care. This results in a conflict of interest in that VUL compensation retained by the insurance carrier as described below is received by Farmers. FFS' RRs do not share in any such carrier compensation. FFS includes FNWL in its product due diligence processes reviews to ensure the features and costs of FNWL are consistent with other industry offerings.

While recommendations are made by RRs, customers are under no obligation to execute such transactions. When a customer elects to purchase or sell any recommended security or investment, the Firm and RR will earn the usual and customary compensation as described in more detail below and in detail in the respective prospectus or disclosure document customers receive in connection with each recommended transaction. As such, a conflict of interest exists as a result of these compensation structures.

Custody and Control Over Accounts

FFS does not hold funds or securities, and does not have custody or control over any customer accounts. Accounts are established, and transactions are processed through electronic processing platforms, or may be submitted by way of application, directly to the fund sponsor or insurance carrier. FFS does not have a minimum account size, however, there may be minimum account, policy or other size requirements imposed by mutual funds, 529 Plan sponsors and insurance carriers.

Fees and Compensation General

For transaction recommendations, investors do not pay an extra commission. Rather, FFS and RRs are solely compensated through third party sponsors and insurance companies. The compensation that FFS receives (including the compensation that is shared with FFS' RRs) differs in amount and rate, depending on the type of investment as explained in each product section below. For example, FFS and its RRs receive a higher rate of commission on most variable annuities than they do on mutual funds. This creates an incentive for FFS and RRs to recommend a variable annuity or other higher paying product.

FFS offers mutual funds, municipal fund securities (529 Plans), along with variable insurance contracts and annuities of multiple sponsors. Mutual fund and 529 Plan sponsors pay FFS compensation up to 5% of the amounts invested. Insurance companies issuing variable annuity products pay FFS compensation up to 7% of the premium(s) paid. Insurance companies may also pay us up to 125% of first year "target premiums" on VUL policies, and payments up to 12.6% of premiums paid in subsequent years. FFS may also receive ongoing trail compensation of up to 1% annually including 12b-1 fees (in the case of mutual funds, 529 Plans or variable annuities), for as long as these investments are held. This compensation is paid to FFS by the mutual fund and the insurance company issuing the annuity, as applicable, and/or their affiliates (together, "sponsors").

FFS' RRs generally receive a portion of the compensation paid to FFS. Each product type pays RRs a different percentage of the total compensation received, as follows:

Mutual Funds and 529 Plans	50% to 85%
Variable Annuities	58%
Variable Universal Life	80% to 90% of target premium

The reason for the wide range in compensation from Mutual Funds and 529 Plans is that in general, FFS pays its RRs cash compensation, consisting of a production payout that is a percentage (called a payout or tier rate) of the product-related revenue (called production) that each RR generates during the prior 12-months with respect to all of the clients he or she serves, minus certain adjustments that are specified by our Compensation Plan. The payout rate or tier rate ranges from 50 to 85%.

This creates an incentive for RRs to receive higher compensation by meeting higher tier levels and by recommending one product over another due to a higher payout rate.

Certain FFS Supervisors may also receive from 5% to 12% of the compensation paid to FFS for sales by RRs. This creates a conflict of interest because the amount of revenue received by an RR may influence the Supervisor's decisions to discipline or terminate an RR.

Compensation FFS Receives from Product Sponsors and Clearing Platforms

FFS receives three different types of compensation from product sponsors: commissions/trails, revenue sharing, service fees, technology and salary reimbursements and marketing allowance. FFS pays a portion of the commissions/trails to its RRs. For additional information by product type, see RR Compensation below.

FFS receives additional payments from certain sponsors, including sponsors of Fixed Annuities and Index Annuities, that are not tied to any particular customer purchases or additional investments, including revenue sharing and marketing support payments. These payments are negotiated with each sponsor and vary from one sponsor to the next. This compensation is not shared with FFS' RRs.

Not all sponsors pay FFS revenue sharing. Revenue sharing is individually negotiated with each sponsor and is typically based on current sales and assets, creating an incentive for FFS to recommend a product for a sponsor that pays revenue sharing. Specific revenue sharing information can be found online at www.farmers.com/financial/disclosures/.

FFS receives reimbursements from product sponsors for technology development related costs associated with launch or maintenance of a platform or tool. Because FFS benefits from such reimbursements, it has a conflict of interest with its ability to use only objective factors when selecting product sponsors to make available to customers when utilizing such platforms.

FFS external sales directors support the insurance sales activities of RRs as described above. FFS receives reimbursement from FNWL for the portion of the salaries it paid to such external sales directors attributable to such insurance activity.

FFS may also receive marketing support from various sponsors for training and educational conferences and meetings. FFS offers all sponsors the opportunity to provide such support for its major conferences; sponsors participate at various levels consistent with the fee paid. Such compensation is not shared with FFS' RRs. Marketing support is not based on sales, is not paid by each sponsor and is either a negotiated annual fee or is a formula based on assets under management. The total annual receipts to FFS for such support by the respective sponsors are anticipated to be less than \$500,000 annually.

Although marketing support is not shared with FFS' RRs, its RRs may indirectly benefit from such support. FFS' RRs may however, receive promotional items, meals or entertainment or other non-cash compensation from FFS and from its sponsors, particularly those that make additional payments to the Firm. Sponsors that pay us additional payments, though, typically have greater exposure to FFS RRs.

RR Performance Related Recognitions

As recognition for efforts and/or individual achievements of RRs, FFS has established recognition programs including extra compensation, meetings, conferences, trips and awards, based on total production for all product lines over an extended period. Under the Engaged RR Compensation Plan, an RR whose total rolling 12-month compensation for all products will receive 1% additional compensation for production over \$100,000 and 1.5% for production over \$150,000.

RR Outside Business Activities

RRs are permitted to engage in certain FFS-approved business activities other than the provision of brokerage services through FFS. In addition, a financial professional may sell insurance through an insurance agency not affiliated with Farmers. In those circumstances, the RRs would be subject to the policies and procedures of the third-party insurance agency related to the sale of insurance products and would have different conflicts of interest than when acting on behalf of FFS. A financial professional may earn compensation, benefits and non-cash compensation through the third-party insurance agency and may have an incentive to recommend you purchase insurance products away from FFS. If you engage with a RR for services separate from FFS, you may wish to discuss with him/her any questions you have about the compensation he/she receives from the engagement. Additional information about your financial professionals outside business activities is available on FINRA's website at <http://brokercheck.finra.org>.

Risk Considerations – General

While FFS and its RRs take reasonable care in making recommendations, securities involve risk and investors may lose money. The examples of typical types of risk you should consider when evaluating recommendations and purchasing each product are set forth in each section below. You can obtain more specific information in the prospectus or other official disclosure document provided in connection with each transaction.

Mutual funds are open-end investment vehicles designed to invest in a group of assets in accordance with stated investment objectives. A mutual fund is a company that pools money from many investors and invests it in a single portfolio of securities that is professionally managed. The mutual fund company owns the underlying investments, and the individual investors own shares of the fund.

The fund manager is responsible for selecting and diversifying the fund's investments to meet the fund's investment objective, while managing risk. Funds generally invest in a variety of investments, including U.S. or international stocks, bonds, money market instruments, or in any combination of these.

Many mutual funds offer several share classes that represent an interest in the same portfolio of securities. The principal difference among the classes are the fees and expenses charged by the mutual fund. Fees and expenses in a mutual fund reduce the net asset value of the fund and the investment return. Additionally, not all share classes are available for all account types and/or programs.

Although there are many different classes of fund shares, FFS only recommends Class "A"/ Class "C" and Class "R".

Choosing A Mutual Fund Share Class

The expected time horizon is an important consideration when selecting a share class. The costs you pay over the life of the investment may be higher for A shares than for C shares. Class A shares are generally not intended to be short-term investment vehicles and frequent trading of A shares would provide an incentive for RRs to earn more compensation. Investors should review the different cost structures for each available share class option, compare how the costs will aggregate over the intended life of the investment, and discuss with their RR the share class determined to be most appropriate.

Class A shares — These are sometimes simply called "A" shares and typically impose a front-end sales charge (a fee charged when you first buy a mutual fund) that is deducted from your initial investment. The operating expenses of the fund are generally lower for "A" shares than "C" shares. You should also be aware that most funds offer discounts (called "breakpoint discounts") on the front-end sales charge for large investments—so as the size of your total investment within a fund family increases, the sales charge may decrease.

Also, most domestic mutual fund families (including 529 Plans) allow investors to aggregate holdings in related accounts to reach a breakpoint (and therefore receive a discount). This is called "Rights of Accumulation (ROA)". Those breakpoints typically occur at \$25,000, \$50,000, \$100,000, \$250,000, \$500,000, and \$1 million, but may vary within each fund family.

Finally, most fund families permit investors to sign a "Letter of Intent (LOI)", indicating an intention to invest a certain amount in the fund over a certain period of time, entitling them to a breakpoint at lower initial levels of investment. Each fund's rules regarding ROAs and LOIs differ, so it is important to ask your RR about the particular fund family's rules before investing, to make sure you receive any available discounts.

Class “C” shares — Typically, class “C” shares do not have a front-end sales charge, and generally impose a lower contingent deferred sales charge (CDSC), often 1% for one year. C shares normally impose higher annual operating expenses than A shares. Some fund families convert C shares to A shares after a specified holding period (for example, 10 years). Investors who want flexibility and who have a shorter investment time horizon may find that C shares best meet their needs; however, not all fund families offer C shares.

“C” shares are generally most appropriate for investors who want more flexibility in constructing and managing a diversified portfolio. Considering the total costs and expenses of “C” shares, investors should think carefully about whether “C” shares are an appropriate share class for their investment goals. The expected time horizon is an important consideration when selecting a share class. Class “C” shares are generally not intended to be held as long-term investment vehicles.

Class “R” shares — Class “R” Shares are limited to retirement accounts maintained by certain customers. They generally have lower expense ratios than Class “A” or “C” Shares.

Fees and Charges Paid Directly by Clients

Mutual fund share classes have an upfront sales charge or a Contingent Deferred Sales Charge (CDSC), also known as a surrender charge or back-end sales charge. Sales charges are paid to the mutual fund, who, in turn, allocates a portion to FFS. FFS then allocates a portion to its RR as described above for services provided, that result in the sale of a mutual fund. As sales charges vary from product to product it creates an incentive for an RR to recommend a higher paying mutual fund.

FFS receives commissions and trails, and a portion of these fees are paid to RRs. The commission is many times referred to as an upfront sales charge - upfront sales charges can range from 0.00% – 5.75% and are described in the prospectus. FFS is paid a portion of this in compensation, with the remainder being retained by the Mutual Fund Company.

Mutual funds are generally designed as longer-term recommendations; frequent trading of mutual funds can result in significant sales charges, unless limited to exchanges allowed by the mutual fund family without additional charges. Investors should monitor their account and discuss any frequent trading with their RR.

Trail commissions are often referred to as 12b-1 fees. Mutual funds pay a 12b-1 fee to FFS directly from the fund’s assets. Like other fees and expenses in a mutual fund, 12b-1 fees will reduce investment returns. The exact amount varies among funds and share classes but is disclosed in the applicable fund prospectus. The typical ranges of 12b-1 fees in mutual funds offered by FFS are as follows: A shares: 0.00% – 0.50% (most frequently 0.25); C shares: 0.25% – 1.00% (most frequently 1.00%); R shares: 0.00% – 1.00% (most frequently 0.50%) FFS and RRs have a financial incentive to recommend the share class that pays higher trails.

Back-End Sales Charge — These are sales charges that are applied upon redemption of mutual fund shares within a specified number of years (varies by fund and fund family). These sales charges are also referred to as a Contingent Deferred Sales Charge, or CDSC. These charges are generally 1% for C shares and can be reduced or eliminated based on how long the shares are held and as described in the prospectus. No part of this fee is paid to FFS or its RRs.

Processing and Handling Fee — Some funds may charge processing and handling fee on the purchase and sale of mutual fund shares in brokerage accounts, to defray transaction processing costs. No part of this fee is paid to FFS or its RRs.

Redemption Fee — Mutual funds may charge clients a redemption fee, typically between 0.25% – 2%, on shares redeemed shortly after purchase. FFS and its RRs do not receive this compensation. Details can be found in the fund prospectus

FFS and its RR want to make sure you make an informed decision and help you understand the risks associated with its Mutual Fund recommendation which may vary with the type of Fund you purchase.

Market Risk — The risk of investments declining in value because of economic developments or other events that affect the entire market. The main types of market risk are equity risk, interest rate risk and currency risk.

Equity risk — applies to an investment in shares. The market price of shares changes all the time, depending on supply and demand. Equity risk is the risk of loss because of a drop in the market price of shares.

Interest rate risk — applies to debt investments such as bonds. It is the risk of losing money because of a change in the interest rate. For example, if interest rates go up, the market value of bonds will drop.

Currency risk — applies when you own foreign investments. It is the risk of losing money because of a movement in the exchange rate. For example, if the U.S. dollar becomes less valuable relative to the Canadian dollar, your U.S. stocks will be worth less in Canadian dollars.

Liquidity Risk — The risk of being unable to sell your investment at a fair price and liquidate (sell) when you want to. To sell the investment, you may need to accept a lower price. In some cases, such as exempt market securities, it may not be possible to sell the investment at all.

Concentration Risk — The risk of loss because your money is concentrated in a single investment or type of investment. When you diversify your investments, you spread the risk over different types of investments, industries and geographic locations.

Credit Risk — The risk that the government entity or company that issued the bond will run into financial difficulties and won't be able to pay the interest or repay the principal at maturity. Credit risk applies to debt investments such as bonds. You can evaluate credit risk by looking at the credit rating of the bond.

Reinvestment Risk — The risk of loss from reinvesting principal or income at a lower interest rate. Suppose you buy a bond paying 5%. Reinvestment risk will affect you if interest rates drop and you have to reinvest the regular interest payments at 3%. Reinvestment risk will also apply if the bond matures and you have to reinvest the principal at less than 5%. Reinvestment risk will not apply if you intend to spend the regular interest payments or the principal at maturity.

Inflation Risk — The risk of a loss in your purchasing power because the value of your investments does not keep up with inflation. Inflation erodes the purchasing power of money over time – the same amount of money will buy fewer goods and services. Inflation risk is particularly relevant if you own cash or debt investments like bonds. Shares of stock offer some protection against inflation because most companies can increase the prices they charge to their customers. Share prices should therefore rise in line with inflation.

Time Horizon Risk — The risk that your investment horizon may be shortened because of an unforeseen event, for example, the loss of your job. This may force you to sell investments that you were expecting to hold for the long term. If you must sell at a time when the markets are down, you may lose money.

Pandemic Risk — Large-scale outbreaks of infectious disease that can greatly increase morbidity and mortality over a wide geographic area, crossing international boundaries, and causing significant economic, social, and political disruption.

Foreign Investment Risk — The risk of loss when investing in foreign countries. When you buy foreign investments, for example, the shares of companies in emerging markets, you face risks that do not exist in the US, for example, the risk of nationalization.

Fees and Charges Paid Directly by Clients

Clients will be charged fees ranging from \$15-35 for Annual IRA fee, IRA transfer out fee, outgoing wires, overnight mail and returned check/ACH or Stop payment.

Other Risks

There are many different types of mutual funds. Many of them have unique or other risks not outlined above. Below are some common types of mutual funds FFS and its RRs recommend and some of the typical risks associated with each.

Nontraditional Mutual Funds — are complex products and subject to a number of additional risks beyond those of traditional mutual funds and other risks discussed. Consequently, these funds should only be purchased by sophisticated investors who understand the speculative nature of these funds. Periodic rebalancing may increase or decrease your exposure in response to the day's gains or losses. Some funds are not intended to be held long term and some nontraditional mutual funds may be thinly traded, which could impact your ability to quickly sell shares.

Compared with broad, long-only traditional asset class mutual funds, alternative mutual funds may employ more complex strategies, investments, and portfolio structures. As a result, some of these strategies may expose investors to additional risks, including but not limited to the following: short selling, leverage risk, counterparty risk, liquidity risk, commodity price volatility risk, and/or managed futures roll yield risk.

Money Market Risks

You could lose money by investing in a money market fund. Although stable value money market funds seek to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so.

Target Date Risk

Target-date funds should not be selected based solely on age or retirement date. Be sure to assess the fund's details, and make sure that its objectives and holdings are consistent with your risk tolerance and objectives.

Target-date funds do not provide a guaranteed return and do not guarantee protection of principal at any time including at its target date.

Target-date funds are subject to the risks associated with the underlying funds in which they invest. These risks change over time as the fund's asset allocation strategy adjusts as it approaches its target date. They may not meet their stated investment objectives and goals and may lose money.

Municipal Bond Fund Risk

Municipal bond funds are subject to the same risks as their underlying municipal securities. Economic issues may impact the performance of the municipal bond issuer. As a result, principal is at risk or subject to fluctuation. For instance, if the underlying municipality defaults or the security is downgraded, the value of your portfolio may also decrease.

Some single-state municipal bond funds may lack the diversification of a fund that invests in multiple-state issues, such as a multi-state or national fund.

Municipal bond funds often hold securities from outside their designated country or state (including underlying issuer securities from U.S. territories, such as Puerto Rico).

High Yield Fund Risks

High yield and floating rate funds are considered speculative and carry increased risks of price volatility, creditworthiness, illiquidity, and the possibility of default in the timely payment of interest and principal, which may impact the value of your portfolio.

These funds do not maintain a stable NAV and should not be considered cash alternative funds.

These are typical risks involved in mutual fund a full discussion of risks is set forth in the Fund prospectus provided with each recommendation.

Variable Annuities

Variable annuities are contracts issued by insurance companies into which the buyer makes a lump-sum payment or series of payments. In return, the insurer agrees to make periodic payments beginning immediately or at some future date. The client's premiums are paid to the issuing insurance company. At the client's direction, the insurer allocates the client's premium payments to investment options, such as subaccounts (which are similar to mutual funds) or directly into the general account of the insurance company that manages the portfolios. The value of the account during the accumulation phase and the payments after annuitization vary, depending on the performance of the investment options chosen. Variable annuities can be issued individually or as group annuities.

FFS offers four types of variable annuities: a traditional "B" share variable annuity, investment only variable annuity, a structured/buffer variable annuity and a "C" share variable annuity. All of these annuities grow tax-deferred, meaning the growth is not taxed until it is withdrawn from the annuity.

The "B" share annuity typically has many features and options available that can be selected by the annuity owner. These include enhanced death benefits, guaranteed income riders and other options including long-term care riders.

The “investment only” variable annuity is similar to the “B” share except it will not have the optional features and benefits available in the “B” share annuity.

The structured/buffered variable annuity does not typically have all the optional features and benefits but does offer protection if the annuity value declines in value. As an example, if in a contract year the annuity value drops more than a certain percent (i.e., 10%), the insurance company will absorb the first 10% of an annual loss and the owner will bear the loss over 10%. In addition, these contracts also have caps on the amount of growth in any one year.

The “C” share variable annuity is similar to the “B” share, except it does not have the CDSC that typically has a CDSC of 5-7 years. Therefore, the “C” share is 100% liquid but does have a higher expense ratio. If you are purchasing an option or feature that is long-term, the “C” share may be inappropriate.

Your RR will be able to help you understand the variable annuity that best fits your investment objectives.

Fees and charges paid by clients — Clients purchase the annuity and, depending on the terms and share class of the annuity, pay additional annual fees as follows:

Mortality risk and expense charge (“M&E”) — This is a yearly charge that compensates the insurance company for insurance risks it assumes under the annuity contract. The charge typically ranges from 1.00% to 1.70% of the annual total account value.

Administrative Fee and Annual Maintenance Fee — This yearly charge covers recordkeeping and other administrative expenses. This may be charged as a flat account maintenance fee (typically ranging from \$25 or \$50 per year) or as a percentage of the account value (typically in the range of 0.15% per year). Annual maintenance fees are not generally charged when the contract value reaches a specified level of value, such as \$50,000 or \$100,000. The annuity may charge both types of fees.

Investment management fees and expenses — These fees and expenses are paid to the firm that manages the investment portfolios and may include affiliates of the insurance company. These vary depending on which investment portfolios the client chooses.

Optional Riders — Optional riders are provisions that may be added to an annuity contract to increase or limit benefits the contract otherwise provides. Annual fees are generally deducted from the annuity contract value.

Fees for optional features — The client will be charged additional fees if they select optional contract features, such as a stepped-up death benefit or a living benefit. The fees for some benefits may continue after the optional feature ceases to provide a benefit.

Contingent Deferred Sales Charge (“CDSC” or “surrender charge”) — If you withdraw money from a variable annuity within a certain period after making a purchase payment (typically within seven years), the insurance company usually will assess a “surrender charge,” which is a type of sales charge. Generally, the surrender charge is a percentage of the amount withdrawn, and declines gradually over a period of several years, known as the “surrender period”. The surrender period typically starts when the client makes an investment (this can be the initial investment or any additional payments the client makes to the contract).

Premium taxes — Several states impose a premium tax on variable annuity purchases, either at the time of purchase or at annuitization. The tax may be as high as 5% of either the purchase payments or the total value of the annuity contract, depending upon the state. The insurance company is responsible for paying this tax and may pass this cost onto the client.

RR Compensation

Insurance companies pay FFS a commission in the first year, and trailing (ongoing) commissions for each year the client owns the contract. The amount of compensation that FFS receives can vary depending upon, among other factors: (i) the duration of the annuity; (ii) the age of the client; (iii) the amount invested in the annuity; (iv) the chosen share class and/or; (v) the commission option selected by the RR. Insurance companies allow the RR to choose among various commission structures, which generally provide that when there is a higher first-year commission, there will be a lower or \$0 trail commission (and vice versa)

FFS offers two variable annuity share classes (B and C) on its platform, none of which require the client to pay an upfront fee at the time the annuity is purchased: For Class “B” shares, the first-year commission to FFS is usually between 1.00% – 7% of the client’s initial investment, with an annual trailing commission of up to 1.00% of the total value of the annuity. For Class “C” shares, the first-year commission to FFS is usually between 1.00% – 2.00% of the client’s initial investment, with an annual trailing commission between 0.60% – 1.00% of the total value of the annuity assets.

Variable Annuity Risks

FFS and its RRs want to help investors make an informed decision and help them understand the risks associated with the purchase of a variable annuity. FFS wants to make sure investors understand the following typical risks. Investors should consult the policy and offering documents for all of the particular risks:

Long-Term — Variable annuities are designed to be long-term investments. Investors should consider another investment if they anticipate a need to access a substantial amount of funds in the near term.

Not a Liquid Investment — Variable annuities have limitations on the amount of funds that may be withdrawn without a charge. Investors should consider the limits on amounts that may be withdrawn free of surrender charges (typically 10% of your initial investment per year) before they invest, and should have other liquid sources of funds. Before taking a distribution from a variable annuity with optional riders, investors should consider how the rider may be impacted.

Surrender Charges — Variable annuities have surrender charges for a specified period of time, typically 5-7 years. The surrender charge means that investors may not get all their money back if the contract is surrendered. In the case of a full or partial surrender (defined as withdrawals in excess of the allowable amount specified by the issuing insurance company), the investor will incur penalties during the surrender period. As an example, the surrender charge period usually lasts between 5 and 7 years with surrender charges starting at 7% in year one, declining over the surrender period. The surrender period and charges are set forth in the prospectus.

Fees and Expenses — For a variable annuity, consider any charges and fees, including mortality and expense charges, administrative charges, and investment management fees for the portfolio options selected. If a rider or optional feature is selected, there may be an additional cost. These charges and fees will reduce the value of the account and return on investment.

Market Risk — Investors can lose money investing in a variable annuity. Investing in variable annuities involve risk, including potential loss of principal. The market value of variable subaccounts will fluctuate in value. FFS describes the various investment risks for such portfolios in the Mutual Fund section above.

Guarantees — any guarantees offered in a variable annuity are backed by the claims-paying ability of the issuing insurance company. The features that are guaranteed do not mean investors cannot lose money and there is no guarantee that they will earn any return on their investment. Riders and features can be complex and may not be suitable for all investors.

Tax Considerations — A variable annuity is a tax-deferred investment vehicle. Investors should not pay taxes on earnings while money is within the annuity. Certain Corporations trusts and partnerships may be subject to tax. Annuities may not be suitable for investors in the lowest tax bracket, as other investment options may be more appropriate. Withdrawals from an annuity policy may be subject to applicable federal and state income taxes. Should funds be withdrawn from an annuity policy prior to age 59 1/2, in addition to federal and state income taxes, a 10% federal tax penalty may be incurred. Neither FFS nor its RRs offer tax, legal, or accounting services.

Retirement Accounts — If an annuity is purchased within an IRA or qualified retirement plan (e.g. – 401K), an investor will not benefit from the tax-deferral of an annuity. Each investor should evaluate whether the guarantees and features of the annuity are valuable enough to warrant the additional cost. Other investments may be more appropriate and available at a lower cost.

IRC Section 1035 exchanges — Under IRC Section 1035, an investor may exchange one annuity policy for another without recognizing a gain on the policy. This is a tax-free exchange. They may incur the charges discussed above on the new policy, so the RR has a financial incentive to recommend such an exchange and investors may also incur a backend charge.

529 Plans

Qualified, state tuition programs, better known as 529 educational savings plans, are designed to encourage families and other investors to save for future education costs. The plans are professionally managed, tax-advantaged portfolios that enable individuals to set aside funds for the future educational needs of a student. Most states offer at least one type of 529 plan, although plan structures and tax incentives may differ from state to state.

A 529 plan (also known as an investment plan) offered through FFS enables a family or other investor to accumulate funds in a tax-advantaged way for future, qualified education costs. Participants save money in a 529 plan account on behalf of a particular individual, such as a child or grandchild (called the designated beneficiary).

These plans offer various investment options, which are usually mutual funds that provide a variable rate of return. Some plans offer investment options that guarantee a minimum rate of return. As of 2018, Congress expanded the use of 529 plan funds to include tuition expenses (up to \$10,000, per student, per year) at elementary or secondary schools.

A 529 plan's official statement contains details about its objectives, risks, and other characteristics, as well as information about the charges you pay within the available funds. These charges generally include sales charges, annual account fees, and annual operating expenses. These charges can be paid in a variety of ways, depending on the share class chosen.

Sales charges — These charges provide compensation for the fund company, FFS and its RR, who help select the right 529 plan and the funds within the 529 plan to pursue the investor's investment objectives. Most sales charges are either "front-end" (charged shares are bought) or "back-end" (charged when shares are sold). A back-end charge is also called a contingent deferred sales charge (CDSC) because as the shares are held for longer periods, the charge declines, ultimately to zero.

Operating expenses — Many of the costs associated with running a 529 plan are operating expenses or, simply put, the cost of doing business. Included in fund operating expenses are management fees, 12b-1 fees, shareholder mailings, and other expenses. Operating expenses are not paid directly as a fee, but they are deducted from the fund's assets, and so reduce investment returns. The plan's official statement will include the fund's expense ratio, which can help investors compare the annual expenses of various plans. 529 plans are also subject to enrollment, maintenance, administrative, and management expenses.

RR Compensation

For a more detail discussion on share classes and RR compensation, please refer to the mutual fund section within this disclosure.

Additional investment and Risk considerations

To help investors make the best choice for their situation, we have briefly summarized some of the factors, risks and characteristics that should be considered before investing, which are listed below.

Share Class and Time horizon — Based on the beneficiary's age and the date intended to use the funds for education expenses, the costs paid over the life of the investment may be higher for C shares than for A shares if purchased for a young child. See the discussion above on choosing a mutual fund share class

Plan availability — Some 529 plans are only available as "direct sold," which means investors must deal directly with the 529 plan provider to purchase a plan and not FFS' RR. Visit your state's 529 plan website to see if its plans are direct sold or are available through a financial institution such as FFS.

State tax treatment — Tax treatment of 529 plans varies from state to state. For residents of the state sponsoring the 529 plan, contributions may be state-tax-deductible and qualified earnings distributions may be tax-exempt. They may also be eligible for certain advantages related to obtaining state-sponsored financial aid. As a result, out-of-state residents may not have the same advantages as in-state residents, even though they are investing in the same 529 plan.

Some states may allow state tax parity. In other words, investors can contribute to an out-of-state plan and still receive a tax deduction in their home state. The majority of states also allow qualified withdrawals on out-of-state 529 plans. Consider these implications and consult a tax advisor before choosing to contribute to an out-of-state 529 plan.

Contribution limits — The amount you can contribute to a 529 plan may vary by plan. When you invest in an education savings plan like a 529 plan, you pay money into an investment account on behalf of a designated beneficiary. Contributions should not exceed the amount necessary to provide for the qualified education expenses of the beneficiary. Lifetime contribution caps may also apply.

Estate planning and gift tax — These tax considerations are a unique feature of 529 plans. Contributions to a 529 plan may be considered “completed gifts” for federal gift and estate tax purposes with unique contribution limits. Be sure to consult with an attorney and tax advisor before contributing to a 529 plan.

Market fluctuation — Market fluctuations associated with the underlying assets held in a 529 plan may present some risk to your account’s performance. There are no guarantees from the state that sponsors the plan. As with any investment, there is also the risk that you may lose money or that it may not grow enough to cover education costs. For example, if you choose a plan option that invests in equity mutual funds, it is likely that the market value of your investment will decrease during a declining market. We discuss the various investment portfolio risks in the mutual fund section.

Penalties for withdrawals — If you make a withdrawal from your 529 plan, penalties may be applied and taxes incurred if the withdrawn funds are not used for qualified education expenses, or if the withdrawal was made in a calendar year different from when the expense was incurred.

Fees, charges, and expenses — 529 plans are subject to enrollment, maintenance, administrative, and management expenses. These costs are associated with all 529 plans, although they may vary from plan to plan. More specific information about a 529 plan’s fees, charges, and expenses are detailed in its official statement.

Ownership and control — You, as the 529 plan account holder or participant, maintain ownership and control of the plan. However, some 529 plans may limit or restrict your ability to change beneficiaries or reallocate portfolios more than once per calendar year.

Transfers — Transfers involving a change in your 529 plan or a beneficiary are generally allowed, but they may trigger fees and tax implications.

Investment option considerations — 529 plans offer several different investment options. The investment options may be from the issuing investment management company or from multiple investment management companies. The options available can be found in the official statement. For more information on the risks associated with the different investment options available, please review the mutual fund section of this disclosure.

Variable Universal Life Insurance

A life insurance policy is a contract between the owner of the policy and a life insurance company. When you buy a life insurance policy, you name the person to be insured (who maybe you or someone else) and you select the amount of insurance you desire. You also name a beneficiary. When the person who is insured dies—if your policy is in effect—the life insurance company will pay the in-force amount of insurance (less any outstanding loans) to the person or persons you named as the beneficiaries. This amount is called the “death benefit.”

Variable universal life insurance (often shortened to VUL) is a type of life insurance that builds a cash value. In a VUL, the cash value can be invested in a wide variety of separate accounts, similar to mutual funds, and the choice of which of the available separate accounts to use is entirely up to the contract owner. The ‘variable’ component in the name refers to this ability to invest in separate accounts. The ‘universal’ component in the name refers to the flexibility the owner has in making premium payments. The premiums can vary from nothing in a given month up to maximums defined by the Internal Revenue Code for life insurance.

When you buy Variable Universal Life (VUL) life insurance the insurance company has taken into account many of its costs and expenses in determining your scheduled premium. For variable life policies, you may incur some additional charges. Below is a discussion about charges applicable to various forms of variable life insurance.

Premium charges — The insurance company will deduct from your premium payment any front-end sales charges it may make. Before accepting your policy, you should consider your ability to pay the premiums on a long-term basis. If you fail to pay your premiums, your policy may lapse, and you may lose your coverage. The insurance company may also deduct any premium tax due in your state; this tax can be as much as 3% of your premium. Ask your RR about the sales charges on any policy you are considering, and about premium taxes in your state.

Periodic deductions — Each month or quarter, the insurance company makes a deduction from the cash value of your policy. This deduction covers costs like administrative or policy fees, rider charges, and cost of insurance, all of which are explained below:

Administrative or policy fees (which are referred to by a number of names) are charges assessed by the insurance company to cover administration, policy issuance, premium collection, and the like. Together, these charges can range from \$5 to \$50. The rider charges are for any additional benefits you have elected, and they cover the cost of those benefits for the following month (or other period).

Cost of insurance compensates the insurance company for providing life insurance coverage on the life of the insured for the following month (or another period). This cost depends on the gender, age, and health of the insured and on the amount of insurance. The amount is determined by the insurance company after it completes its underwriting process. In addition to your health, the insurance company may consider your occupation and hobbies; if they are considered dangerous, the company may charge you more for insurance coverage.

Mortality and expense risk charge (sometimes the charge has a different name) is assessed against the amount of your cash value in the separate account. This charge compensates the insurance company for the insurance risks it assumes under the policy, for assuming the expense risk that the current charges will be insufficient in the future to cover the cost of administering the policy and the separate account, and for the administrative costs not covered elsewhere. This charge can vary from policy to policy but generally ranges from 0.50% to 2.50% per year.

Surrender fees are typical in most variable universal life insurance policies. These fees are imposed if you surrender all or a portion of your policy and are usually only in effect for a period of years (for example, 5 to 15 years). The fees can be based on the actual dollar amount that was surrendered or on the amount of insurance, and can vary by year of surrender, your age at the time of issue, your gender, and other variables.

Deductions are taken from the various investment options to cover advisory fees, operating expenses, 12b-1 fees (which are annual or marketing distribution fees), service fees, and other costs associated with running a mutual fund. Other transaction costs are assessed under variable life policies for items like partial surrender fees and transfer fees, which are discussed below.

RR Compensation

FFS and RRs are paid by the insurance companies whose products we sell. Some insurance companies pay higher commissions than others, which may provide your RR with an incentive to sell one policy rather than another.

FFS and its subsidiaries receive compensation and other payments in many forms, including commissions, residuals, or trail commissions (described below). FFS pays a portion of the compensation it receives to your RR.

Your RR and FFS are paid in ways that vary with the type of policy, the issuing insurance company and the premium amount. Below is a summary of the different forms of compensation received by FFS:

Commissions — FFS receives commissions between 99% up to 105% of the policy's first year/annual target premium payment. The amount of commission is based on the type of underlying policy. For example, RRs are typically paid a higher rate of commission for permanent life insurance policies than for term policies. It is important to note that commission rates vary by insurance carrier and product design.

Compensation on excess premiums — In some instances, you may pay premiums in excess of the annual or target premium (typically referred to as "excess premiums"). Compensation earned by FFS on excess premiums may be up to 6% of the excess premium. This compensation is set by the insurance company. For example, if the annual or target premium is \$1,000 and you make a premium payment of \$1,500, FFS would receive an upfront compensation of up to \$30 (\$500 x 6%) on the excess premium.

Trail commissions — FFS may also receive ongoing payments, called "trail commissions," between 0.15% and 0.3% of target premium per year on invested assets that are held in your life insurance policy for more than one year. These ongoing payments/trails are set by the insurance company. For example, if a policy has invested assets of \$10,000, at 0.3% there would be a maximum trail of \$30 per year, if there were no growth in the cash value of the policy.

Ongoing compensation for renewal premiums — FFS may also receive ongoing compensation on your policy for subsequent premiums, also called “renewal premiums,” paid by you after the first year. Renewal premiums typically pay compensation between 5% and 12% of the renewal premium. This compensation is set by the insurance company. For example, if the renewal premium on an insurance policy is \$1,000, at 12% FFS would receive up to \$120.

Bonuses/Incentives

RRs may receive other compensation and incentives. RRs who are independent contractors may also receive bonuses relating to the sale of variable insurance products. Also, from time to time Farmers holds sales incentive campaigns that reward RRs who have higher levels of sales with additional compensation, benefits, trips or other rewards.

Cash/Non-cash Compensation

RRs may also be eligible for cash or non-cash compensation for meeting certain overall production levels during the year.

Minimum Production

To maintain their active status with FFS, RRs are required to meet minimum production thresholds.

Features, Risks and Characteristics

Riders — Sometimes the insurance company may offer one or more additional benefits to be included with the life insurance policy. These benefits are generally referred to as policy riders and are often available only at the time the policy is issued. In some cases, a rider serves to restrict or modify your options or rights, or to limit the obligations of the insurance company. Examples of some popular riders are Critical/Chronic Illness, Disability Waiver of Premium, Long-term Care, Return of Premium, Over Loan Protection, Accelerated Death Benefit, Child or Spouse Benefits, etc. Not all riders are available on all policies and if there is a premium charge for the rider it may be payable for the life of the contract, for a specific period of time, or upon activation of the rider. If you have any questions, please contact your RR.

Amendments and Endorsements — Sometimes the insurance company finds it necessary to amend the original paperwork submitted or the policy once it is issued. This can happen for numerous reasons such as the discovery that there is incorrect information on the original application or change in plan, amount, etc. before issuance of the policy.

When this happens, the carrier will issue an amendment or endorsement that generally requires your acknowledgment, by signature, of the change in information. If you are issued an amendment or endorsement, you should keep the document, along with your insurance policy, in a safe place with your other valuable documents. If you have any questions, please contact your RR.

No-lapse guarantee — Some insurance companies that offer a no-lapse guarantee that ensures the death benefit will not lapse, even though the values within the policy may be insufficient. Most of these companies add this feature by means of a rider available for an additional cost. The rider sets out specific conditions that the policy owner must comply with in order to maintain the benefit.

Free-look provisions — You have the right to cancel your life insurance policy within the free-look provision period (usually 10 days following delivery of your life insurance policy or whatever period is required by your state). If you exercise this provision, you will receive a refund in accordance with the terms of the policy and your state’s regulations. In some instances, if the market value of a variable insurance policy has declined during the free-look period, your refund may be less than your entire initial premium payment.

Contestability periods — Life insurance contracts are required to have an incontestable clause, which states that the insurer cannot declare the policy invalid after the contract has been in force for a specified period of time (generally two years), which is known as the “contestability period.” Once the contestability period has passed, the insurance company generally cannot revoke the coverage, even if it finds that misstatement or concealment of material fact occurred during the application process.

Surrenders — Variable universal life insurance policies allow you to surrender (that is, terminate) all or a portion of the policy coverage. When you make a total surrender of the policy, you are terminating all insurance under the policy, and you receive the cash surrender value of your policy. When you make a partial surrender, you receive some of your cash value, and the amount of the death benefit may be reduced. Surrender charges for partial surrenders may be assessed as they would with a total surrender. A surrender may also result in a tax obligation, so you should consult your tax advisor before you decide to do this.

Borrowing from your policy — If you buy a policy that has a cash accumulation feature the policy owner generally can borrow against a certain percentage of the cash value. If the policy owner takes out a loan, the policy owner should carefully monitor the policy to make sure it does not lapse as a result.

Special issues should be considered when taking out a loan from a variable life or variable universal life policy. A policy loan will result in cash value being transferred from the investment options in the separate account to a special loan account. A policy loan, whether or not it is repaid, will have a permanent effect on the death benefit and cash value of the policy because you will not share in the investment results of the underlying investment options while the loan is outstanding.

In most situations, you can borrow from your policy without tax consequences.

You should consult your tax advisor on the tax consequences of taking loans or distributions, or of exchanging or surrendering any policy or regarding unique other tax considerations regarding life insurance which are also spelled out in the VUL prospectus.

IRC Section 1035 exchanges — Under IRC Section 1035, you may exchange one insurance policy for another without recognizing a gain on the policy. This is a tax-free exchange. You will incur the charges discussed above on the new policy. Your RR has a financial incentive to recommend such an exchange and you may also incur a backend charge.

Although you may exchange a life insurance policy for an annuity, you will lose the income-tax-free withdrawal and loan capabilities of the life insurance cash value as well as the income-tax-free death benefit of the life insurance policy. Please discuss all the tax consequences with your tax advisor before making any type of exchange.

Gifts and Business Entertainment

FFS has established policies and procedures designed to reduce the conflicts of interest regarding the giving or receiving of gifts and business entertainment between FFS, our employees or RRs and third parties (e.g., vendors, broker/dealers, consultants, clients, etc.).

Gifts — We limit the amount (e.g., value and frequency) of gifts received by registered individuals from any vendor, issuer or fund company, to \$100 per year. Gifts from FFS to any vendor or business partner are also limited to \$100 per year. In addition, RRs may receive business courtesies, such as branded merchandise.

Entertainment — FFS, its employees, RRs and registered principals may participate, give or receive nominal gifts to the extent permitted and in accordance with regulatory, rules and guidelines. In addition, sales of variable insurance products may count towards RRs eligibility for rewards, recognition, and trips provided by Farmers or FFS. No gift may be so frequent or excessive as to rise to a suggestion of conduct inconsistent with high standards of professional ethics.

Fiduciary Acknowledgement

When FFS provides investment advice to you regarding your retirement plan account or individual retirement account (IRA), we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act (ERISA) and/or the Internal Revenue Code (Code), as applicable, which are laws

governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours.

Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;

- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

Please understand that when we provide investment advice, we are subject to various legal requirements that are overseen by different regulators. We are required to acknowledge fiduciary status under ERISA and the Code for advice we provide to your retirement plan account or IRA. This acknowledgment is not intended to create or modify any agreement, relationship, or obligation we may have to you under other federal and state laws governing the provision of advice to retail investors.

Required Customer Identification

To help the government fight the funding of terrorism and money laundering activities, Federal law (USA PATRIOT Act of 2001) requires all financial institutions to obtain, verify, and record information that identifies each person who opens a securities account. What this means to you is that by opening this account, we will ask for your name, address, date of birth and other information that will allow us to verify your identity. We may also ask to see your driver's license or other identifying documents. For more information, see the Department of Homeland Security web site: <http://www.dhs.gov>

Privacy Policy

FFS has adopted privacy policies and procedures in safeguarding information about customers and former customers that obtain financial products or services for personal, family or household purposes. If state law is more protective of an individual's privacy than federal privacy law, Farmers will protect information in accordance with state law while also meeting federal requirements. For more detailed information, please refer to the complete Farmers Insurance Group of Companies Privacy Notice.

Business Continuity Plan (BCP)

FFS is committed to providing customers with continuity of service in the event of a disaster or other disruption of its operations. To provide for the recovery and timely resumption of critical business operations and restoration of full business operations within established time frames, FFS has developed a Business Continuity Plan (BCP). The FFS BCP is also integrated into the business resumption plans of Farmers Insurance Group of Companies and may be modified as necessary. In the event of a disaster or disruption of business, certain information may also be available at the Farmers website: www.farmers.com.