



Annuity Suitability

NAVIGATING A SMOOTH RIDE

The National Association of Insurance Commissioners (NAIC) Suitability in Annuity Transaction Model Regulation (Model 275) was amended in February 2020 to elevate the suitability review process and introduce a strong best interest component.

The purpose of the regulation is to require producers to act in the best interest of the consumer when making a recommendation of an annuity and to require insurers to establish and maintain a system to supervise recommendations (Suitability) so that the insurance needs and financial objectives of consumers at the time of the transaction are addressed.

National Life Group (“NLG” or the “Company”), wants to provide consumers with solid, reliable retirement products that provide value and benefits in their retirement years. In every action and every decision our intention is to do right by the consumer, the producer, and the Company.

The Consumer Profile Information form 10068 (“CPI form”; formerly known as the Suitability form) should be completed with the consumer during your fact-finding process and signed at the point of sale. The data requested on this form is, in part, required by the NAIC regulation. This form is used in all states except Florida, which has its own state version.

All annuity applications and CPI forms are reviewed in New Business. Submitting accurate, complete paperwork will expedite this review. You may be contacted if additional information is necessary to approve suitability. Our goal is to complete the review within 5 business days of receiving the requested information from you. Your prompt response to the Company’s inquiry helps ensure efficient processing of the application.

If changes or clarifications are needed on the CPI form, an email will be sent to your email address on record. Changes to the form may need to be fully signed and dated by the consumer. If requirements are not resolved or requested information is not provided, the transaction will be cancelled, the file will be closed, you and the consumer will be notified, and any money received will be returned.

An Exchange, Transfer, or Replacement transaction will not be initiated until the suitability review process is completed. Once the review is complete and suitability is approved, the Company will initiate the transaction(s). The transaction(s) should not be initiated by you or the consumer.

National Life Insurance Company® | Life Insurance Company of the Southwest®

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Centralized Mailing Address: One National Life Drive, Montpelier, VT 05604 | www.NationalLife.com

No bank or credit union guarantee | Not a deposit | Not FDIC/NCUA insured | May lose value | Not insured by any federal or state government agency

Guarantees are dependent upon the claims-paying ability of the issuing company.

For Agent Use Only - Not For Use With The Public.

How can you help expedite the review process?

- Ensure training requirements have been met prior to submitting an application
- Be sure all questions on the CPI form are answered completely and accurately
- Use the Remarks section of the CPI form to paint a clear picture of the proposed transaction
- Clearly document the source of premiums
- If a replacement or transfer is involved,
 - Obtain and submit all pages of a recent policy statement with the application paperwork
 - If the existing policy has a lifetime withdrawal benefit, submit a comparison of the old and new benefit.

Filling Out the CPI form:

To start, respond to all questions in the top portion of the form. It is designed to determine if the CPI form is needed. You may refer to the New Applications Annuity Suitability Form Requirements, Form 10119, to view a complete list of requirements and exclusions.

Section I:

- For our purposes, liquid net worth are assets that may be quickly (within a few days) converted to a cash equivalent without loss of account value such as stocks and mutual funds. It may also include penalty free annuity and life insurance cash value.
- If the applicant is retired, list the last occupation prior to retirement. If the applicant continues to work on a part-time basis, include that information in the Remarks section of the form.
- If the Income is less than or equal to the expenses, please provide additional information in the remarks section.
- If the consumer anticipates any material changes to their financial situation or needs, please provide a detailed explanation as to what this change is and the impact of the change. Please use the Remarks section, if needed.
- Include information around existing debts and liabilities.
 - Other debt or liabilities may include student loans, credit card debt, or any other type of loan the consumer may have.

Section II:

- Risk tolerance guidelines are based on the product selected, not on the overall risk tolerance of the applicant.
 - **Conservative:** consumer cannot tolerate any loss of premiums paid or interest credited
 - **Moderate:** consumer cannot tolerate any loss; however, one or more years with little or no interest are acceptable
 - **Aggressive:** consumer seeks substantial market gains and is willing to lose premiums paid or interest previously credited
- If any of the Time Horizon questions are answered 'Yes', please provide additional details in the Remarks section of the form.

Section III:

- Aside from this transaction, indicate if another annuity has been exchanged within the last 36 months (60 months if CA or MN resident)
- Include all past and present financial experience for the consumer, including any types of liquidity provided for the household in Question 1, as applicable. The proposed transaction should be included.
- Check all applicable objectives
 - More than one objective can be marked
 - Objectives should line up with the product being applied for
- In the Remarks section, include additional remarks to help us understand the proposed transaction and how it is in the consumer's best interest

Section IV:

- The source of the money being used in the proposed transaction must be indicated. Note all sources. If money was recently placed in a bank account, indicate the original source and include any additional information in the Remarks section.
- If money is coming from a Roth Account, mark both the Roth and the additional tax qualification radio buttons (*Example: Roth IRA would check both the Roth and IRA radio buttons*).
- Note if there is a positive or negative (+ or -) Market Value Adjustment (MVA). This needs to be listed separately from the actual surrender charge.
- All Fixed and Indexed Annuities will have a Guaranteed Interest Rate.
- The Current Fixed Rate should be greater than or equal to the Guaranteed Interest Rate.

Section V:

Owner/Applicant, Joint Owner and Annuitant must sign acknowledging confirming completion and accuracy of the form.

Section VI:

Agent must sign acknowledging all statements and his/her agreement to maintain documentation

Possible Detours or Road Blocks:

- Replacements:
 - The withdrawal charge on the policy being exchanged is greater than 3% and additional benefits in the new product are not sufficient to justify the withdrawal charge. *Note that a Bonus does not offset a withdrawal charge.*
 - The existing Fixed or Fixed Indexed product has a guaranteed interest rate of 3% or greater.
- Answers on the CPI form suggest the proposed product does not meet the consumers financial needs and objectives for the product selected or the objectives listed are currently being met by the existing product.
- If the consumer's investment objective for this product is aggressive, include additional information in the Remarks section, as fixed and indexed products offered by the companies of NLG are generally not considered 'aggressive' products.
- The applicant has a history of exchanging annuities within a few years of purchase.
- Objectives:
 - If the objective of "Potential for more growth opportunity" is selected, but an illustration shows the crediting rates may be less than what is on the existing product(s), in the Remarks section, include how the proposed product and/or transaction is in the best interest of the consumer.
 - If the existing policy has a lifetime income withdrawal benefit, provide detailed explanation around why the consumer is looking to move away from this existing benefit either with a new product that contains this benefit or a new product that does not provide this benefit.
- If the existing policy has a bonus that will be recaptured or has not yet credited, provide details around why the consumer is willing to lose this benefit

Reminders



Document

Clearly document and retain the reasons behind your product recommendation for each consumer, especially if the transaction involves a replacement of another annuity or life insurance product.



Explain

Be sure the consumer understands various features of the policy and potential consequences of the sales transaction, both favorable and unfavorable (withdrawal charges, fees, lost benefits, etc.)



Retain

Retain a copy of the CPI form and any additional required disclosures for your records.

- Contact Annuity Sales at 1-800-906-3310 for product recommendations and assistance in running illustrations.
- Contact your Annuity New Business case manager for the status on submitted business.

We are here to partner with you to ensure a positive selling experience for you and a buying experience for the consumer. If you have any questions regarding suitability, including any pre-sale suitability related questions, please contact us at AnnuitySuitability@NationalLife.com.