

Can I call NWL before writing an application to verify suitability?

You may speak with one of our Suitability Analysts prior to writing an application to discuss the specifics of the case; however we cannot guarantee suitability over the phone. Our Suitability Analysts can be reached by phone at 1-800-760-3434 and choosing main menu option 3 for Annuity New Business then option 2 for Suitability. Agents may also send suitability inquiries via email to the Annuity New Business and Suitability email address, anbas@nwlic.com.

Final determination will be made once all documentation has been reviewed in our office.

What additional forms are required?

- Annuity Suitability Questionnaire: DM-1174 – most recent revision date
- Current account statement (within 12 months) – if a replacement is occurring
- Trust Information Form (DM-1094) – If owner or beneficiary is a trust
- Any additional information that might be requested in order to make a determination of suitability.

Can my client “opt-out” of providing financial data?

National Western must receive a completed Annuity Suitability Questionnaire in order to make a decision regarding the Suitability of the recommended product. If the client is not willing or able to provide all the information, unfortunately, the Suitability Team will decline the sale.

In addition, questions left blank will cause delays in the review process.

General Income Guidelines

- Income must exceed expenses
- Minimum income of \$25,000 required
- Reported income should apply for the length of the contract
- Proceeds of a loan or reverse mortgage are not accepted

What assets are considered liquid?

Liquid assets are those that can be quickly converted to cash with little to no penalty. Checking & savings accounts, matured CDs, annuities that are beyond the withdrawal charge period, and certain mutual funds are a few examples.

Does NWL require that the client retain a certain amount of liquid assets after the annuity purchase?

While there is no set rule, a general guideline is for a client at or nearing retirement age, typically 65+, to have at least the value of 1.5-2 years of their annual expenses liquid in the event of an emergency after the purchase of one of our annuities.

Example: Jane Smith, age 65, retired, earns \$32,000 annually with annual expenses of \$18,000. She should have at least \$27,000 in liquid assets remaining after the annuity purchase.

It is expected that in most instances, clients of all ages will have a minimum of 6 months' worth of expenses liquid.

Typically, annuities – including the one being applied for – should not make up more than 60% of a client's liquid net worth. The older the client, the less of his/her assets we'd expect to see allocated to long term annuities.

What assets are considered illiquid?

How do I calculate my client's Net Worth?

Total Existing Assets

Liabilities

An illiquid asset is an asset that isn't easily or quickly converted to cash and/or cannot be sold or exchanged for cash without a penalty or other loss in value. Deferred annuities still within the withdrawal charge period, personal property, and real estate are just a few examples.

Net Worth = Total Existing Assets – Liabilities

Total Existing Assets should include all liquid and illiquid resources (except primary residence, personal property, and the premium for the annuity purchase).

Liabilities should include (but are not limited to) any debts, including all outstanding loans.

Some common examples of each are listed below.

Note: The value of the primary residence should not be included in any of the questionnaire calculations.

Liquid Assets

- Money Market
- Cash
- Checking/Savings Accounts
- Matured CDs
- Penalty free amounts from deferred annuities
- Some Stocks/Mutual Funds/Bonds

Illiquid Assets

- Real Property excluding primary residence, such as investment/rental property
- Retirement Accounts including 401(k), 403(b), Annuities, Pension Plans (for clients under 59 ½)
- Life Insurance
- Annuities in deferral

- Vehicle loans
- Credit card debt
- Outstanding medical bills
- Mortgage on primary residence
- Mortgage on rental property
- Other out of pocket expenses

Does NWL have any guidelines regarding the suitability of replacements?

Can I use the bonus on the Income Outlook Plus 5 income rider to offset surrender charges on a replacement?

Can the client submit a letter to NWL acknowledging various circumstances such as penalties on a replacement or other suitability items if they wish to purchase a non-bonus product or forego other suitability guidelines?

A replacement should have a noticeable benefit to the client for the duration of the annuity, not just at issue. You need to be familiar with the product being replaced in order to perform a side-by-side comparison.

Product Comparison

Compare the features of the current and new annuity to ensure there is a foreseeable benefit to the client for the entire duration of the contract.

Loss of Benefits

Determine if the client is losing any additional benefits or riders on the current product. Common examples of additional benefits would include income riders, enhanced death benefits, and guaranteed fixed interest rates. Also, if the client is nearing the end of the withdrawal charge period on the current contract if it is more beneficial for the client to continue the existing contract through the completion of the surrender period.

Surrender Charges

Typically, we will not issue an annuity if the client is at a net loss at issue. A net loss occurs when the account value of the new annuity at issue is **less than** the value of the annuity that was replaced. One of our bonus products that offer an upfront, immediate bonus might be considered more suitable than a non-bonus product so long as the client's financial goals & objectives are being met with that product. Keep in mind, bonus amounts are considered expenses that the Company incurs, and all expenses are taken into consideration when interest rates, caps, and participation rates are established and reset. Regardless of a bonus offset, a surrender charge of 9% or more will be declined.

Due to the bonus vesting schedule on the Income Outlook Plus 5, and the fact that the rider can be removed, we do not allow it to be used to recover replacement surrender penalties. This rider features a bonus that is subject to a 10-year vesting schedule in terms of the annuity's account value and only vests immediately in the event of death or election of lifetime income, which means the client is still not whole in the account value at issue. In addition, the interest rate or "roll-up" that is credited under this rider is also not considered as a means to recover surrender charges as it is applicable only for lifetime income and not the account value or death proceeds.

While we do appreciate the client's desire to purchase one of our annuities, we do not accept signed acknowledgements of penalties or other suitability related items from the client in lieu of suitability.

However, additional information from the client about individual circumstances is always welcome and can be helpful with the suitability process.

The Suitability in Annuity Transactions regulation puts the burden of determining suitability on the agent and the insurer, not the client.

My client currently resides in an assisted living facility or nursing home. Will this be considered unsuitable and automatically declined?

A client residing in an assisted living facility will not result in an automatic decline; however, the client should have sufficient remaining liquidity after the purchase of the annuity to cover any possible increased expenses that might occur, and details regarding the type of assistance received should be provided. Additional information may be requested if needed. Please note, National Western does not accept deferred annuity applications from clients residing in nursing homes, regardless of a POA acting on his or her behalf.

Additional Useful Information

- Corrections must always be initialed with current date by the client. We cannot accept agent initials in lieu of the client's initials.
- The information the client provides to National Western is used in determining whether the sale is suitable. Please do not omit any information.
- A Suitability Analyst will contact you or your case manager by the email address provided on the Suitability Questionnaire or through our website, www.MyNWL.com, for any additional information or corrections that may be needed to determine suitability. A prompt and thorough reply will expedite the handling of your pending applications.
- Periodic Suitability Confirmation Surveys may be mailed to clients confirming information provided during the application process.
- From time-to-time National Western Life will make revisions to the Annuity Suitability Questionnaire. To ensure timely processing of your applications please be sure to use our most current revisions. The current revision is always available on our website or through use of the Electronic Application (eApp).
- A member of The NWL[®] Suitability Team can be reached at:
Phone: (800)-760-3434 - Main Menu Option #3(Annuity NB), Opt.#2 (Suitability).
Email: anbas@nwlic.com