

Suitability Updates

EFFECTIVE SEPTEMBER 1, 2021

What Does This Mean?

The revisions to the Model and to the state regulations identify the producer's ("You"/"Your") duty to put the consumer's best interest above the insurer's financial interests or your financial interests. As part of this duty, you have to meet four overarching obligations prior to recommending an annuity transaction:

1. Care

- a. Gather and consider consumer profile information to determine which annuity product (if any) is in the consumer's best interest.
- b. Look holistically at each annuity product you are authorized to sell, including subaccounts, to determine which annuity product meets the consumer's financial needs and goals.
- c. If a replacement is involved, confirm the replacement truly benefits the consumer and consider whether the consumer has had a replacement in the previous 60 months.
- d. Only propose transactions which are in the best interest of the consumer.

2. Disclosure

- a. Disclose your relationship with the consumer, to the consumer.
- b. Tell each consumer:
 - What type of products you can and cannot sell
 - Whose products you can sell
 - NLG pays you a commission for selling annuities.

- c. If a consumer asks you to tell them how much commission you will make from the transaction, you are required to disclose the anticipated amount and anticipated frequency of commission.
- d. To make it easier for you to provide the required information, NLG form 20762* is available in MerrillConnect on the agent portal. **Insurance Agent (Producer) Disclosure for Annuities.*

3. Conflict of Interest

- a. Identify and avoid, mitigate or remedy material conflicts of interest.
- b. Disclose material conflicts of interest to the consumer.

4. Documentation

- a. Document and keep for your records a written basis for each recommendation you make.
- b. Disclose to the consumer the basis for each recommendation.
- c. Record if you do not make a recommendation.
- d. The Consumer Profile Form [previously called the "Suitability Form" (more on that below)] and the Insurance Agent (Producer) Disclosure *NLG Form 20762 for Annuities* are crucial elements of meeting the documentation obligation.

Does this impact all annuity plans? When will this go into effect?

NLG Form 20762 will not be required for 403B/457, SEP and Simple plans. Arizona, Arkansas, Delaware, Idaho, Iowa, Michigan, Ohio, Rhode Island, Texas, and Virginia have adopted the Model to go into effect September 1, 2021. Many other states will follow suit in the coming months.

Form 20762 will be available in MerrillConnect starting August 30, 2021. Please use MerrillConnect to download the paper application kit if eApp will not be utilized for the application.

Will this require any producer state training to be completed?

Yes, state training and Company training will be required. Please read over details and options.

TX Agents: Prior to selling annuities on and after January 1, 2022, you must take a four-credit training course.

On and after January 1, 2022, if you are a Texas resident producer and have taken a four-credit course prior to January 1, 2022, you have two options:

1. Complete a one-time, one-credit course approved by the Texas Department of Insurance (“TDI”); or
2. Complete a new four-credit course approved by the TDI.

On and after January 1, 2022, if you are a Texas resident producer and you have not taken a four-credit course approved by the TDI, you have one option:

1. Complete a four-credit training course approved by the TDI.

On and after January 1, 2022, if you are a Texas non-resident producer you may have several options:

1. a new four-credit training course approved by the TDI;
2. a course approved by a state which has adopted the producer training requirements of MDL-275; or
3. a four-credit course approved in your resident state and a one-credit course approved by TDI.

Keep in mind: If you have not taken a state-approved four-hour training course, you do not have access to the option of the one-hour addendum course, and must take a four-hour course.

If you have not taken the latest edition of the Company’s product training, you will be required to do so. If you have already taken the latest edition of the Company’s product training, you will not need to re-take the Company’s product training at this time.

You must take both the state approved-training four-hour course (and one-hour course, where applicable) and the Company’s product training **prior to recommending an annuity transaction to a consumer**. The Regulation requires us to reject any annuity applications taken prior to completion of the required trainings.

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