

# Business Practices and Compliance Guide



Nationwide Life Insurance Company

Nationwide Life and Annuity Insurance Company

Jefferson National Life Insurance Company

Jefferson National Life Insurance Company of New York

Updated June 2023

## For Financial Professional Use Only

The rules, policies and procedures of this Guide apply only to the sale, solicitation and negotiation of Nationwide's life insurance and annuity products. For the purposes of this Guide, it includes products and services offered by Nationwide Life Insurance Company, Nationwide Life and Annuity Insurance Company, Jefferson National Life Insurance Company and Jefferson National Life Insurance Company of New York, collectively referred to as "Nationwide".

This Guide is not a contract and is not intended to create any contractual rights in favor of the Financial Professional or Nationwide. The Guide does not alter the current relationships between the Financial Professional and Nationwide. Furthermore, Nationwide reserves the right to change, alter or amend any portion of this Guide at its discretion at any time.

The following content has been updated in this version of the Guide (changes noted in red font):

## Section 5.2(a) – Record Retention

- Additional bullet was added to the list of NY Requirements:

*“NY Reg 210 non-guaranteed disclosure (life\*)*

*\*NOTE – Annuity disclosure provided via contract spec page*

## Section 6 – New Business Submission

- Additional bullet was added to requirements Financial Professionals must follow when soliciting, submitting, or servicing insurance business:

*Must ensure that supplemental documentation, such as financial planning documents, etc. that references Nationwide products, must not contradict the Nationwide approved illustration that is provided to the client.*

## Section 6.1 – Prohibited Forms of Payment and Transfers

- Clarifying language was added under the “Exceptions to the policy” for Endorsed Checks. The update now includes the following language:

*\* The check is issued to a Puerto Rico LLC from the annuitant/owner- copy of LLC Corporate Resolution required with check submission*

## Section 10 – Prohibited Activities

- Updates to several Prohibited Activities noted as follows:

**Electronic Signatures (new prohibition):**

- *The issue State for any electronic application is the State in which the client is currently signing the application.*
- *The Financial Professional may not allow a client to use the Financial Professional’s email address, or an email address provided by the Financial Professional for the purpose of facilitating an e-signature process.*

- *Financial Professionals may not sign on behalf of the client's using an Electronic Signature.*

Mail/Email (updated language) now reads:

- *Financial Professionals must ensure that only the client's permanent primary address is provided on an insurance application presented to Nationwide. Financial Professionals may not be the addressee or recipient of any correspondence or insurance statements in place of the client's primary address. Financial Professionals may not present or use any email owned or controlled by the Financial Professional for correspondence.*

Pretexting (updated language) – additional sub-bullet added:

- *Financial Professionals are prohibited from presenting themselves as a client or any other interested party for any reason, including but not limited to, obtaining account information or effectuating transactions or withdrawals.*

**SECTION 1** **DEFINITIONS**

**SECTION 2** **OVERVIEW AND PURPOSE**

**SECTION 3** **LICENSING AND APPOINTMENTS**

**Section 3** **Licensing and Appointments**

- (a) Licensing Requirements
- (b) Maintaining a License
- (c) Appointment and Notification Requirements
- (d) Background Issues and Appointment Concerns

**Section 3.1** **Errors and Omissions Insurance**

**Section 3.2** **Contracting**

**Section 3.3** **Recruiting**

**Section 3.4** **Terminations**

- (a) Termination for Cause

**SECTION 4** **PROFESSIONAL DESIGNATIONS**

**SECTION 5** **MARKETING AND SOLICITATION**

- (a) Marketing, Advertising and Communication
- (b) Foreign Language Marketing Materials

**Section 5.1** **Solicitation**

- (a) Selling to Seniors

**Section 5.2** **Record Keeping**

- (a) Record Retention

**SECTION 6** **NEW BUSINESS SUBMISSION**

**Section 6.1** **Prohibited Forms of Payment and Transfers**

**Section 6.2** **Replacements**

**Section 6.3** **International Underwriting Guidelines**

**Section 6.4** **Non-Resident (Cross Border) Sales**

**Section 6.5** **Life Insurance Illustrations**

**Section 6.6 State of New York – Life Insurance Preliminary Information Statement**

**Section 6.7 Policy Amendments**

**Section 6.8 Policy Delivery**

**SECTION 7 LONG TERM CARE**

**Section 7.1 Financial Professional Licensing and Training**

**Section 7.2 Standards for Marketing Long-term Care**

**Section 7.3 Prohibited Practices**

**Section 7.4 Suitability**

**Section 7.5 Replacement**

**Section 7.6 HIPAA**

**Section 7.7 Unique State Requirements**

**SECTION 8 SUITABILITY AND BEST INTEREST**

**Section 8.1 Required Suitability Information to be Obtained**

**Section 8.2 2020 Department of Labor (DOL) Fiduciary Rule**

**Section 8.3 Replacements**

**Section 8.4 Training**

**Section 8.5 Fixed Life Insurance Suitability**

**Section 8.6 Failure to Comply with Suitability Standards**

**Section 8.7 Post Issue Transactions Involving New York Policyholders**

**SECTION 9 CONSUMER PRIVACY AND CONFIDENTIALITY**

**SECTION 10 PROHIBITED ACTIVITIES**

**Section 10 Prohibited Activities**

(a) Accepting Cash

(b) Altered Documents

(c) Blank Forms

(d) Commission Assignments

- (e) Commission Splitting
- (f) Creating Fictitious Sales
- (g) Disparaging Remarks about Competitors
- (h) Electronic Signatures
- (i) Ethical Conduct
- (j) Falsifying an Application
- (k) Failure to Disclose Conflicts of Interest
- (l) Failure to Furnish Information
- (m) Financial Arrangements with Consumers
- (n) Forgery
- (o) Fraudulent Conduct
- (p) Ghost Writing
- (q) Mail/Email
- (r) Offering Legal or Tax Advice
- (s) Pretexting
- (t) Product Specific Incentive Programs and Sales Contests
- (u) Prohibited Payments
- (v) Prohibition against Guarantees
- (w) Rebating
- (x) Scare Tactics
- (y) Selling an Indexed Product as a Security
- (z) Selling an Annuity Contract or Life Insurance Policy Prior to Completion of Required Training
- (aa) STOLI / STOVA / Life Viatical Settlements
- (bb) Switching and Replacements
- (cc) Twisting
- (dd) Unfair Solicitation

## **Section 11 NATIONWIDE DUE DILIGENCE & SALES CONDUCT COMMITTEE**

## **SECTION 12 ANTI-MONEY LAUNDERING**

### **Section 12 Anti-Money Laundering**

- (a) Money Laundering – What Is It?
- (b) Red Flags for All Business

## **SECTION 13 CUSTOMER COMPLAINTS**

## **1. Definitions**

**Agent of Record** – the Financial Professional currently listed on the life insurance or annuity contract and/or authorized to service the contract

**Applicant** – an individual applying for an insurance product

**Business Associate Agreement** – the agreement between Nationwide and the Financial Professional that is required when selling a long-term care insurance contract with some of its life insurance products (e.g., CareMatters)

**Client** – an existing customer of a Financial Professional

**Consumer** – a broad term to describe an individual that may be an insurance prospect, an applicant for an insurance product, or an existing contract owner or policy owner of Nationwide or another insurance company

**Contract Owner** – the owner of an annuity contract issued by Nationwide

**Financial Professional** – Financial Professional is used broadly and includes a general agent and/or a licensed Insurance agent

**Insurance Product(s)** – an unregistered (a.k.a. fixed) annuity contract and/or life insurance policy

**Jefferson National Life Companies** – Jefferson National Life Insurance Company and Jefferson National Life Insurance Company of New York, or their successors and assigns

**Laws, Rules and Regulations** – state and federal insurance laws, rules and regulations that are applicable to insurance activities

**Nationwide Life Companies** – Nationwide Life Insurance Company and Nationwide Life and Annuity Insurance Company, or their successors and assigns

**Nationwide<sup>®</sup>** – refers broadly to Nationwide the organization and not any particular underwriting company

**Policy Owner** – the owner of a life insurance policy issued by Nationwide

**Selling Agreement** – the Master Distributor Agreement, Master Sub-Distributor Agreement, Marketing Agreement, General Agent Agreement, or Independent Agent Agreement between the Nationwide and the Insurance/Financial Professional

## **2. Overview and Purpose**

The objective of this Business Practices and Compliance Guide (collectively referred to as the "guide") is to establish policies designed to achieve compliance with state and federal rules and regulations and to detect and prevent violations of those rules and regulations and the internal policies and procedures of Nationwide Life Insurance Company, Nationwide Life and Annuity Insurance Company, Jefferson National Life Insurance Company and Jefferson National Life Insurance Company of New York, collectively referred to as "Nationwide".

The policies and procedures in this guide govern the activities of Financial Professionals. All Financial Professionals are required to comply with the policies and procedures set forth in this guide, federal/state laws, rules, and regulations, and any other applicable Nationwide policies and procedures.

This guide is not to be construed as inclusive of all laws, rules, regulations, and policies of the various regulatory agencies, but rather as a guide to conduct daily insurance business. This guide does not replace, or supersede, any language contained in the Selling Agreement. Additionally, if the Financial Professional maintains a securities license, it is the responsibility of the Financial Professional to also follow the policies and procedures set forth by his/her member firm.

Nationwide's commitment to compliance with applicable laws, rules, regulations and our policies and procedures begins with Financial Professionals who are committed to observing high standards of behavior. Nationwide expects quality life insurance business with excellent persistency from the Financial Professionals who sell Nationwide's products. This can be achieved by soliciting business in a professional and ethical manner, by providing consumers with an assessment of the need for Nationwide products and by timely servicing contract or policy owners.

When necessary, Nationwide may publish revisions to this guide by issuing a Compliance Bulletin. All Financial Professionals who receive a communication from Nationwide must review the document and comply with any revisions to the guide. Information regarding any updates or policy changes can be found at [nationwidefinancial.com](http://nationwidefinancial.com) in Sales and Service Center under the Advisor Support Services section of the website. Failure to comply with changes to policies and procedures communicated in Compliance Bulletins is prohibited and may result in disciplinary action, up to and including the cancellation/termination of the Financial Professional's appointment and contract with Nationwide. You can access this guide at any time online at [nationwidefinancial.com](http://nationwidefinancial.com).

Exceptions to the requirements contained in the BPCG (also referred to as "accommodations") may be granted, provided the request for an exception would not cause a violation of applicable laws, rules, or regulations. The final granting of an exception will be made, as appropriate, in writing by the Life Companies SVP or President, and Chief Compliance Officer ("CCO"). Documentation of the exception will be maintained as part of the Life Companies books and records.

### **3. Licensing and Appointments**

Soliciting or conducting insurance business includes speaking generally about a company or product, providing quotes and/or proposals and illustrations, taking applications and receiving premium payments, or explaining policy provisions to an applicant or consumer.

In order to solicit insurance business, including receiving subsequent premium payments from contract or policy owners to fund existing contracts or policies, Financial Professionals must be:

- Licensed in the state where solicitation occurs
- Licensed in the state where the application is completed and executed
- Licensed in the consumer's resident state even if the Financial Professional does not reside there
- Licensed in the state where the Trust is domiciled
- Appointed with the applicable Nationwide company

Financial Professionals may not meet with prospective clients to discuss Nationwide products or services prior to being appointed by the Company. Additionally, the Financial Professional may not discuss our products or services even if attending a meeting without a properly licensed and appointed Financial Professional.

NOTE – If a Financial Professional is not properly licensed and appointed with Nationwide, commissions on the sale of insurance products cannot be paid to the Financial Professional.

#### **a. Licensing Requirements**

Rules and regulations require that Financial Professionals have a valid state insurance license, and be properly appointed with an insurance company, to offer, market, sell, and distribute, insurance business in a state and receive a commission either directly or indirectly from that sale. If a Financial Professional is in the business of advising clients on replacing any securities or variable products, Nationwide requires that Financial Professionals have the appropriate securities license. Nationwide reserves the right to request that the Financial Professional provide additional information and existing account documentation to validate the recommendation to purchase Nationwide life and annuity products.

Each state issues its own insurance licenses, which are valid only in that state for specified line(s) of business, such as life, accident and health, variable contracts, and long-term care insurance. States typically require Financial Professionals to successfully complete pre-licensing requirements, pass a state insurance licensing exam, complete a license application, and receive the physical license from the state before soliciting.

**b. Maintaining a License**

Financial Professionals must maintain a valid insurance license in their resident state. To solicit insurance business outside of the Financial Professional's resident licensed state, Insurance Professionals must also possess the appropriate non-resident license(s). Financial Professionals must renew their resident and non-resident licenses periodically as required by each state's regulations.

It is the Financial Professional's responsibility to ensure that he/she takes all necessary action to obtain and keep the license effective. Financial Professionals must complete any state required continuing education to keep their license active. Financial Professionals are responsible for knowing, understanding, and complying with the applicable rules and regulations of the state in which he/she does business.

Financial Professionals shall not solicit the purchase of an annuity or insurance product unless the Financial Professional has the appropriate license, adequate knowledge of the product to recommend the annuity or insurance product and the Financial Professional is in compliance with Nationwide's standards.

**c. Appointment and Notification Requirements**

An appointment is an authorization given by an insurance company to a Financial Professional to represent that company for a particular line of business in a specific state. These authorizations are usually filed with the state department of insurance. Therefore, each insurance company, in each state where the Financial Professional solicits business must generally appoint the Financial Professional. Appointments through previous employers/entities are no longer valid once a Financial Professional terminates the relationship. Financial Professionals must obtain new appointments through Nationwide.

Financial Professionals must be licensed to sell insurance products offered by Nationwide. Financial Professionals who do not have an existing state license will be directed to procure the state license before completing any pre-appointment paperwork.

Upon request for appointment, the Financial Professional must complete a Background Check, so Nationwide can ascertain his or her good character, business qualifications, and experience.

Nationwide, at its sole discretion, may choose to accept or deny any appointment request.

**d. Background Issues and Appointment Concerns**

Prior to appointment, Nationwide may identify concerns with Financial Professionals who have disclosures or regulatory actions or events which may warrant review by the Nationwide Due Diligence and Sales Conduct Committee. Some of the specific concerns are noted below:

- History of customer complaints / litigation / arbitration
- Disciplinary actions taken by federal or state regulators
- Disciplinary histories or actions issued by regulatory agencies, including but not limited to the SEC, FINRA, state insurance departments or state securities departments
- Any criminal history in which the agent was charged or convicted of a felony, or a misdemeanor when such misconduct is related to the activity involving the financial services industry

**3.1. Errors and Omissions Insurance**

Financial Professionals shall maintain sufficient fidelity bond coverage (including coverage for larceny and embezzlement) and errors and omissions insurance coverage as may be required under applicable law. The amount of coverage must be consistent with reasonable commercial standards and proof of coverage must be provided upon request.

**3.2. Contracting**

Financial Professionals must have the proper authority to execute a Selling Agreement as well as have the necessary contractual agreements in place to receive payment for the sale of any insurance product. To receive any compensation, the Financial Professional must be licensed and appointed with the applicable Nationwide company in the policy issue state at the time of policy issue.

A Financial Professional's authority shall not extend further than stated in the executed Selling Agreement, nor shall the Financial Professional:

1. Create, waive, or change any question, statement, or answer on any application during the appointment process, the Selling Agreement, any application for an insurance product, the terms of any receipt given thereon, or the terms of any policy or contract
2. Extend or waive any provision of any policy or the time for payment or premiums
3. Deliver any policy unless the health of the insured or annuitant is substantially unchanged from the date of the application
4. Incur any debts or liability for or against Nationwide
5. Receive any money for Nationwide except premiums as authorized in the Selling Agreement
6. Misrepresent, or fail to disclose accurately, the terms or nature of the insurance products offered by Nationwide
7. Solicit business in a state where the policy is not approved for sale
8. Violate any published policy of Nationwide regarding viatical sales

### **3.3. Recruiting**

A general agent may recommend duly licensed Financial Professionals to solicit insurance products offered by Nationwide, and Nationwide, at its sole discretion, may choose to approve or deny any appointment request. Nationwide may terminate a relationship with a Financial Professional at any time and for any reason.

### **3.4. Termination**

Any party to the Selling Agreement may terminate the Selling Agreement in accordance with the terms of the Selling Agreement.

Financial Professionals must immediately notify a licensing representative of Nationwide in writing when voluntarily terminating his/her association with Nationwide. Upon receipt of notification, Nationwide will promptly terminate the Financial Professional's appointment(s).

Prohibited conduct, as outlined in Section 10 of this guide, by a Financial Professional may result in Nationwide terminating the Selling Agreement, submitting a termination for cause recommendation to a state department of insurance, reporting the conduct to a state and/or federal agency governing insurance, initiating legal action, and/or rescinding an existing annuity contract or life insurance policy.

#### **a. Termination for Cause**

The Selling Agreement with Nationwide provides full details regarding automatic termination of the Selling Agreement or the ability for any involved party to terminate the Selling Agreement with cause. Any conduct by a Financial Professional that Nationwide identifies as warranting termination for cause will be decided by Nationwide. Additionally, Nationwide will refer to each individual state Statute to determine when termination for cause is applicable.

## **4. Professional Designations**

Financial Professionals must comply with the applicable state laws and regulations regarding professional designations in the state(s) in which the Financial Professional is licensed. Financial Professionals who have satisfied designation requirements and are current with the designations' continuing requirements may utilize professional designations. The Financial Professional may not use professional designations in a false or misleading manner. If the Financial Professional uses a professional designation in violation of a state regulation, the Financial Professional may be subject to disciplinary action by Nationwide including, but not limited to, termination of the Selling Agreement.

## **5. Marketing and Solicitation**

### **a. Marketing, Advertising, and Communication**

To maintain the highest level of trust and integrity, it is imperative that all sales efforts are conducted with the highest ethical standard and deal fairly with the public. Financial Professionals must represent completely and truthfully the terms, conditions, features, benefits, costs, charges, and risks associated with the insurance products offered by Nationwide. Financial Professionals are prohibited from making false, exaggerated, or misleading statements. To ensure communications are not misleading, the following guidelines should be followed:

- Statements must not be misleading within the context which they are made
- Consider the nature of the audience to which the communication is directed
- Communications must be clear and must not contain material omissions
- Communications must provide an accurate and complete presentation of tax implications or investments characterized as tax-free or tax-exempt, including disclosure of any applicable fees
- Any marketing or advertising used to solicit insurance products must be provided by Nationwide or approved by Nationwide prior to use

Financial Professionals may only use the marketing, advertising, and sales literature that has been provided by Nationwide and approved. Any marketing, advertising, and sales literature, including but not limited to internet websites and/or social media outlets, which refer to Nationwide or any insurance product offered through Nationwide must be submitted for written approval prior to its use. To obtain approval, the Financial Professional should contact the Brokerage General Agency (BGA), Independent Marketing Organization (IMO) or agency whom he/she is affiliated with.

Distributing (or in any way sharing) internal materials to consumers, including materials marked “for internal use only,” “for Broker-Dealer use only,” “for Insurance Professional use only”, “Financial Professional use only,” or similar forms is prohibited.

Financial Professionals do not have the authority to use, alter, amend, or remove any trade name, brand, trademark, or service mark of Nationwide or any affiliate (collectively referred to as “trademarks”) from any product or other property of Nationwide without prior written approval.

Financial Professionals may not use any property of Nationwide or any affiliate, including but not limited to trademarks, policy forms, applications, marketing materials, records, manuals, or supplies after termination of the Selling Agreement.

## **b. Foreign Language Marketing Materials**

Creating, using, or translating any foreign language marketing, advertising, sales literature, correspondence, or electronic communications in association with the solicitation, sale or servicing of insurance products offered by Nationwide is prohibited.

Unless provided by Nationwide, all written communications with the public must be in the English language.

Financial Professionals should refer to the Life Underwriting Requirements Guide for the procedure to follow when he/she is not multi-lingual and is writing the occasional application on a non-English speaking applicant and the assistance of an interpreter is necessary.

### **5.1. Solicitation**

Financial Professionals may only solicit applications for the insurance products offered by Nationwide in those states in which such products are approved and they are licensed to do so. Financial Professionals should contact their Brokerage General Agency (BGA), Independent Marketing Organization (IMO) or agency whom he/she is affiliated with to inquire about insurance products approved in their state.

Financial Professionals must have the appropriate credentials (insurance licenses and/or appointment in every state in which insurance business is solicited, as described in Section 3 of this guide). These credentials include the completion of any training that is required to maintain the license(s) and appointment(s). Individuals not appointed or licensed with Nationwide are prohibited from soliciting clients on behalf of a Financial Professional. Nationwide deems that insurance solicitation occurs when a specific insurance product is discussed:

- In a presentation
- In person
- During a telephone conversation
- In an e-mail message or text message
- In documents mailed to consumers
- In any marketing or advertising message
- In any other form of communication
- Any social medial format

In addition, Nationwide requires that Financial Professionals have a license in the consumer's resident state even if the Financial Professional does not reside there. Under no condition can an application be electronically signed outside of the state listed on the application. This includes situations in which the client may be traveling or residing in another state or country.

## a. Selling to Seniors

With the aging U.S. population, it is increasingly important for a Financial Professional to make sure an annuity or life insurance sale is appropriate using due diligence and needs assessment practices as well as incorporating additional factors including, but not limited to the following:

- Can the consumer afford to pay the premiums on the policy for as long as the premiums are due?
- Is the consumer currently employed? If so, for how much longer?
- What are the consumer's primary expenses?
- Is the consumer living on a fixed income? Does the consumer anticipate doing so in the future?
- How important is the liquidity of income generating assets to the consumer?
- What type of health care insurance does the consumer have? Will the consumer be relying on investment assets for anticipated and unanticipated health costs?

Additionally, financial exploitation of elders and vulnerable adults is a rising concern. Financial exploitation and abuse mean "improper use of an adult's funds, property or resources by another individual, including fraud, false pretenses, embezzlement, conspiracy, forgery, falsifying records, coerced property transfers or denial of access to assets." This includes but is not limited to:

- Unusual financial decisions/banking activity by an elderly customer or caregiver
- Excessive interest in the elder's finances by a caregiver or another individual
- An Elderly customer exhibiting fear in the presence of a caregiver or another individual

It is important to report any unusual or suspicious activity where financial exploitation or abuse includes consumers and/or potential consumers involving Nationwide products. Suspected financial exploitation should be reported to the Office of Anti-Money Laundering Compliance at 1-877-406-4747, by email at [AMLReview@nationwide.com](mailto:AMLReview@nationwide.com) or by live mail to the Office of Compliance, FCSC 3-11-307.

It is the Financial Professional's responsibility, if using a professional designation, to make sure the designation is approved in the state where the Financial Professional is licensed and be familiar with any words or phrases that should be avoided.

While seminars may be used as a legitimate marketing tool, there has been a growing regulatory concern about the increase of seminars targeting senior citizens. It is the Financial Professional's responsibility to make sure any seminar is positioned appropriately with full transparency regarding the purpose of the event and that the marketing and sales tactics are ethical and compliant.

Financial Professionals should be aware of the impact a consumer's diminished capacity (i.e., the decline of a consumer's physical and cognitive functionality) can have on his/her ability to make financial decisions. Some practices to keep in mind are, but not limited to the following:

- Consulting with appropriate Professionals to prepare documents (e.g., Will, Power of Attorney, Health Care Proxy, Living Will)
- Designate a secondary or emergency contact for the account
- Invite a friend or family member to accompany the consumer to appointments

## **5.2. Record Keeping**

It is the responsibility of the Financial Professional to maintain complete and accurate books, files, and records (collectively referred to as "records"). Nationwide has the right to examine, inspect, and copy these records. The records shall be (1) maintained by the Financial Professional, as prescribed by all the states in which he/she does business or (2) delivered to the Nationwide for safe keeping.

If a Financial Professional's firm conducts suitability, it is the responsibility of the Financial Professional to follow their Firm's policies and procedures, including the Books and Records requirements. It is important to understand that Regulators can request this information from a Financial Professional as part of a complaint or regulatory inquiry.

The Financial Professional shall cooperate and use its best efforts to provide such records as Nationwide may require in connection with the Selling Agreement, as the result of a consumer complaint, or as the result of a regulatory examination or inquiry, civil litigation, and or arbitration.

### **a. Record Retention**

Financial Professionals are required to retain all sales documentation used in making the recommendation, and anything else that may assist in supporting ANY recommendation to protect the Financial Professional from potential customer complaint or regulatory scrutiny. This includes but is not limited to:

- Training Completion Certifications
- Customer Profile/Need Analysis
- Signed Disclosure Forms
- Product Comparisons
- Signed Carrier Application
- Signed Suitability Form
- Signed Illustrations
- Sales material
- Personal notes including steps taken and analysis performed leading up to the recommendation
- Any required post issue documents such as delivery receipts

It is important to maintain and make available upon request to the Company a record of client information collected and whether the client elected to purchase a life insurance policy or annuity contract. Certain documents should always be maintained:

- Original sales proposals
- A copy of any needs' analysis completed during the solicitation
- A copy of any signed disclosure form(s)
- A copy of any sales material and advertisements used during the sales process
- Suitability information provided by the applicant and the basis for the Financial Professional's recommendation
- Any written correspondence to or from the applicants/contract owners regarding the solicitations, issuance of the contract or subsequent service of the contract
- Documentation of phone calls to or from the applicants/contract owners addressing the above issues
- Notes from meetings with the applicants/contract owners, and
- A copy of the signed delivery receipt (if applicable)

For each sales transaction, in those states that have adopted the Best Interest Regulation, and New York, in which a Financial Professional submits a new business application, the following must be completed:

- Customer Profile/Need Analysis
- Product Comparisons
- Signed Carrier Application
- Signed Suitability & Best Interest Form

For each transaction in which a Financial Professional interacts with a client, the Financial Professional should document the type of interaction:

- New recommendation
- Post issue recommendation (New York Specific Requirement)

Where applicable, the Financial Professional's file must also contain evidence that the client was informed of the following:

- The basis for each recommendation
- Product advantages/disadvantages and non-guaranteed elements
- How compensation is paid for the sale and servicing of the annuity contract or life policy
- Any impact of replacing an existing product

For each transaction the Financial Professional must provide the client with:

- Applicable disclosures.
- Carrier product summary or guide

- Fee/commission-based disclosure (if applicable)
- Disclosure of product limitations (if applicable)

**New York Specific Requirements:**

- NY Reg. 194 compensation disclosure
- NY Reg 60 paperwork for Replacements (if applicable)
- NY Reg 210 non-guarantee disclosure (life\*)

*\*NOTE: Annuity disclosure provided via contract spec page.*

State regulations vary regarding the length of time that client files are to be maintained. However, a general rule of thumb is to maintain all active client files indefinitely and all inactive client files for seven (7) years. Records should be maintained in accordance with prudent record keeping practices and in compliance with all federal and state privacy and security standards.

If the Financial Professional maintains a securities license, it is the responsibility of the Financial Professional to ensure the Books and Records requirements of his/her member firm are being followed.

## **6. New Business Submission**

When engaging in a financial transaction on behalf of Nationwide, it is important to properly identify your client. During the application process, you are expected to collect the following information:

- Name
- Date of birth
- Address
- Identification number (acceptable documentation):
  - U.S. Citizen: social security number, employer identification number, or valid driver's license number.
  - Non-U.S. Citizen: taxpayer identification number; passport number and country of issuance; alien identification card number; or government-issued identification showing nationality, residence, and a photograph.
  - Corporation, partnership, trust, or other legal entity: employer identification number, government-issued business license, a partnership agreement, or trust agreement.

Financial Professionals will find all the necessary information to underwrite a life insurance case in the Life Underwriting Requirements Guide. Financial Professionals shall promptly forward to Nationwide all applications received in connection with the insurance products offered by Nationwide, regardless of the results of any medical examination. Nationwide, in its sole discretion, may reject or require the amendment of any application for insurance.

Any new application forms or checks not transmitted by the end of the day must be stored in a locked and secure location.

Consumers may pay for new purchases by submitting a personal check drawn on the account of the appropriate party (i.e., the beneficial owner of the insurance product) from a U.S. bank or other acceptable financial institution. Checks should be made payable to Nationwide as indicated on the application. Additionally, credit card payments (both debit and traditional credit cards) will be accepted on an exception basis for fixed life insurance products offered by Nationwide.

Upon collection of premium(s) the Financial Professional must:

- Transmit to Nationwide, within two business days of receipt, applications for a product and all amounts received for or on behalf of Nationwide
- Pay all premiums to Nationwide without offset or deduction
- Be responsible for instructing any associated person to remit the entire premium to Nationwide immediately upon receipt thereof, together with all applications and related information

When soliciting, submitting, or servicing insurance business, Financial Professionals:

- Must provide all information to which a consumer is entitled
- Must disclose to the client and Nationwide all potential and actual conflicts of interest when dealing with consumers. Furthermore, business, or personal relationships with other

professionals such as doctors, lawyers, tax professionals, etc. could potentially constitute a conflict of interest when these individuals are involved in the recommendation or sale of a contract or policy

- May not engage in a fraudulent act or misrepresent contract/policy benefits, provisions, illustrations, or premiums
- May not misrepresent, or fail to disclose accurately, the terms or nature of any product or service offered by Nationwide or any affiliate, make or modify products on behalf of Nationwide or any affiliate, or waive any rights or requirements of Nationwide or any affiliate
- Must provide accurate quotations on premiums and interest rates for the proposed products. When required by product type, a complete, accurate, signed policy illustration or life insurance preliminary information (New York only) must be provided to Nationwide and maintained in the Financial Professional's client file
- Must ensure that supplemental documentation, such as financial planning documents, etc. that references Nationwide products, must not contradict the Nationwide approved illustration that is provided to the client.
- Must use their own individual email address for signing electronic applications
- Are prohibited from warranting or guaranteeing the future value or price of any insurance product, or indicating that any company, sponsor, or issuer will meet its promises, predictions, or obligations
- May not pay the premium for any policy owner which is not for their own policy or that of an immediate family member
- May not directly or indirectly rebate any portion of the premium to the annuitant/insured or to any other party
- May not induce or attempt to induce any contract/policy owner of Nationwide or any affiliate to relinquish, surrender, replace or lapse their contract/policy
- May not intentionally omit answers to questions on applications or answer "no" to medical questions on applications without specifically asking the consumer
- May not accept risks, determine insurability, or bind Nationwide or any affiliate in any way
- May not endorse, cash, or deposit any check or draft made payable to Nationwide or any affiliate
- May not accept or deposit any check or draft for premiums made payable to any person or entity other than Nationwide
- May not extend or waive any provision of any contract/policy, extend, or waive the time for payment of premiums, or accept the payment of past due premium
- May not settle any claim or claims related to the products offered by Nationwide and must immediately forward any notice of claim received to Nationwide's administrative office
- May not perform any acts or exercise any authority on behalf of Nationwide or any affiliate other than as expressly authorized in the Selling Agreement, without prior written consent
- May not incur any indebtedness on behalf of Nationwide or any affiliate
- May not open any bank account or trust account on behalf of, for the benefit of, or containing the name of Nationwide or any affiliate
- May not list himself/herself as the beneficiary or a third-party payor as the primary contact on a contract or policy, except for immediate family members. This includes but is not limited to mailing address, phone number and email address
- May not commence any suit or action before any court or authority relating to any of the products offered by Nationwide

- May not directly or indirectly cause or attempt to cause any employee, agent, or representative of Nationwide or any affiliate to terminate or alter his or her association with Nationwide or such affiliate
- May not, accept risks or contracts that bind Nationwide in any way, or initiate or respond to legal proceedings in the name of Nationwide.

## **6.1. Prohibited Forms of Payment and Transfers**

Federal law requires reporting to FinCEN of all accumulated deposits of cash or currency in excess of \$10,000, or any transaction deemed suspicious. Financial Professionals should be aware of any situation involving multiple checks or money orders for any amount, especially those in amounts less than \$10,000, which, in the aggregate, would exceed \$10,000. A Financial Professional who becomes aware that the currency reporting requirements are being violated, or that anyone is assisting in evading such requirements, must report that information immediately by contacting the office of Financial Crimes and Sanction Compliance at 1-877-406-4747, by email at [AMLReview@nationwide.com](mailto:AMLReview@nationwide.com) or by live mail to the Office of Compliance, FCSC 3-11-307.

Payment must be in U.S. funds drawn on a U.S. branch of the bank or financial institution. Foreign checks/currencies, or wires and ACH initiated from a foreign bank branch are not acceptable. Helping a customer structure a transaction to avoid reporting requirements is illegal and strictly forbidden. It is Nationwide's policy NOT to accept the following forms of payment:

- Cash, including pre-paid debit cards, or currency of any kind (including Bitcoin or any form of cryptocurrency/cryptocurrency)
- More than two (2) money orders per policy billing period or annuity contract
- Checks made payable to the Financial Professional or the Financial Professional's "doing business as" name
- Checks drawn from the Financial Professional's account or any account over which the Financial Professional has control
- Starter checks – Starter checks to fund a life insurance policy or annuity contract, the exception being starter checks used to repay overpayments by Nationwide. A starter check is a check without the preprinted name of the Applicant/Owner/Payee.
- Personal checks without a wet signature – digital signature or rubber stamp is not acceptable
  - Third-party checks\* – (e.g., a check that is endorsed by one person (payee) to another person who becomes the holder and from which they can claim money)
- Checks, wires or ACH originating from non-U.S. banks or a U.S. branch of a foreign bank
- Checks from a business account to fund a personal account, with the exception of a check from an employer to fund a retirement contribution for an employee
- Endorsed checks\*\* – a check that has been signed prior to receipt or is noted to be "For Deposit Only"

- Credit Card for annuities and variable insurance products

Exceptions to the policy are listed below:

\*Third-party checks:

- Payment is from the owner/applicant/immediate family member
- Check is payable to the owner/applicant directly – rollover checks should be payable to “Nationwide FBO: Owner/Applicant”
- A check from a Revocable Living Trust funding an individually owned contract/policy. The Grantor of the Trust must be the owner of the contract/policy

\*\*Endorsed checks:

- The check is issued to a Trust from the annuitant/insured
- The check is issued to a Puerto Rico LLC from the annuitant/owner (copy of LLC Corporate Resolution is required with check submission)

## **6.2. Replacements**

Insurance products are sometimes purchased with the proceeds from the sale or redemption of a previously purchased product. This practice is commonly known in the industry as a “replacement.” Financial Professionals may not recommend a replacement unless it will result in a benefit to the consumer. Factors to consider include, but are not limited to, affordability, insurability, sales charges and tax consequences, product features and general annuity and life insurance death, annuity income, nonforfeiture and guaranteed minimum interest rate benefits.

When a transaction involves a replacement, the Financial Professional must make full and complete disclosure to the consumer regarding the product being purchased and the product being replaced. The consumer must be provided with the necessary information to analyze not only the advantages of the proposed new product, but also to analyze the disadvantages of replacing the existing product. Specifically, if the Financial Professional is recommending an immediate annuity to replace a deferred annuity, the Financial Professional must understand and illustrate to the consumer, the annuity income benefits contained in the consumer’s deferred annuity that is the subject of replacement.

Financial Professionals are expected to be familiar with the rules and regulations regarding replacement in the state(s) he/she is licensed. When a replacement is deemed appropriate, Nationwide expects the Financial Professional to submit all required replacement documentation signed and dated on or prior to the application date.

Upon discovery of questionable replacement activity, Nationwide may forward a letter to existing contract/policy owners alerting them that charges may be assessed upon surrendering their insurance product. As circumstances warrant, Nationwide may pursue additional action against a Financial Professional for potential violations of the Selling Agreement or by alerting the affiliated or unaffiliated company of the Financial Professional’s replacement activities.

Compensation arising in connection with any product that replaces an existing contract or policy issued by Nationwide or any affiliate thereof shall be subject to replacement rules of Nationwide. In certain instances, Nationwide will not pay compensation on replacements.

### **6.3. International Underwriting Guidelines**

Nationwide is committed to being the best at helping Americans prepare for and live in retirement. This goal extends to citizens of other countries who are residents of the United States.

The insurance products offered by Nationwide are priced based on mortality experience, cultural factors, medical care, geography, demographic factors, and other relevant assumptions for U.S. citizens living in the United States. Life exposure risks in other parts of the world may be different. Consequently, foreign nationals and resident aliens may present risk profiles not assumed in pricing.

If a foreign national has been identified, we will require additional documentation to verify their connection to the U.S. and that they have U.S. based income assets before the application can be approved. This documentation may include:

- Copy of permanent resident card/green card or acceptable VISA proving U.S. residence
- Copy of SSN or TIN card
- Valid government issued photo ID (passport or counselor ID)
- Documented earned U.S. income
- Proof of U.S. property ownership
- Proof of assets in a U.S. Bank (U.S. branch of a foreign bank is not acceptable)

### **6.4. Non-Resident (Cross Border) Sales**

#### **Non-Resident Sales**

A non-resident sale occurs when an applicant who is a resident of one state applies for a life insurance policy or annuity contract in another state. Each state has jurisdiction and regulations governing insurance product approvals, insurance Financial Professional licensing, and solicitation to purchase insurance products. Financial Professionals who knowingly solicit the purchase of an insurance policy or annuity contract in a state where the product is not approved or where the Financial Professional is not appropriately licensed can be subject to fines and sanctions by that state.

It is important to understand that state insurance departments do not tolerate Financial Professionals who deliberately “bend the rules” to sell products to consumers living outside their state of resident. Be familiar with your state’s requirements before solicitation and follow Nationwide’s Compliance Requirements to avoid delays within the application process.

#### **Fundamental Requirements**

Nationwide recognizes the state where the customer’s application is signed to be the life insurance policy’s or annuity contract’s issue state.

The issue state determines the Financial Professional's licensing and appointment requirements, product availability, the appropriate application, and any applicable sales and/or disclosure forms including the approved marketing materials and/or sales illustration.

If a non-resident sale should occur, it is anticipated that the Financial Professional:

- is aware and has represented the applicable Nationwide company which holds the appropriate Certificate of Authority to transact insurance business in the issue state and that the life insurance policy or annuity contract, benefit riders, application, and any supplemental application forms are approved in the issue state
- is licensed and appointed in the issue state of the life insurance policy or annuity contract and the state in which any aspect of the sales process may occur
- has established that an appropriate nexus exists between the applicant's resident state and the issue state
- will deliver the life insurance policy or annuity contract in the state of issue

### **Nationwide Compliance Requirements**

The Financial Professional must advise the applicant of any differences between the product as approved in the applicant state of residence and the product as approved in the state of solicitation, issue, and delivery.

Additionally, there must be a reasonable connection between the applicant and the state where the insurance policy or annuity contract is being applied for, unless all aspects of the sale took place in the Financial Professional's primary office location.

Nationwide requires a signed acknowledgement from the Financial Professional and the applicant that these terms have been met.

## **6.5 Life Insurance Illustrations**

The NAIC Life Insurance Illustration Model Regulation defines an illustration as a presentation or depiction that includes non-guaranteed elements of a policy of life insurance over a period of years and that is one of three types – a Basic Illustration, a Supplemental Illustration, or an Inforce Illustration.

When a Basic Illustration is used by a Financial Professional, and the policy is applied for as illustrated, a copy of the signed illustration must be submitted to Nationwide at the time of application with a copy provided to the applicant.

If a Basic Illustration is not used, or if the policy is applied for other than as illustrated, the Financial Professional and applicant must complete the *No Illustration Acknowledgement Form* at the time of application. A signed copy of this form should be provided to the applicant and to Nationwide with a copy retained by the Financial Professional.

If a Basic Illustration or a Revised Basic Illustration, based on the actual policy issued, is provided with the policy as a delivery requirement, it is the Financial Professional's responsibility to return the signed illustration to Nationwide within 20 business days.

## **6.6 State of New York – Life Insurance Preliminary Information Statement**

New York law and corresponding regulation requires a prospective life insurance purchaser be provided with accurate and complete illustration or preliminary information and a copy of the most recent Buyer's Guide, at or prior to the time of application.<sup>1</sup> Nationwide requires the illustration and Life Insurance Preliminary Information Statement to be signed and dated on or prior to the application date as part of its new business good order requirements.

In addition, a Statement of Policy and Benefit Information (aka Policy Summary) must be delivered to the new owner upon delivery of the policy. Nationwide will include the Policy Summary with the policy as a delivery requirement. It is the Financial Professional's responsibility to assure the policy and Policy Summary are delivered on a timely basis to the policyowner.

## **6.7 Policy Amendments**

Unauthorized alteration of an insurance document, including an insurance application, is prohibited.

Consent of the applicant is the primary consideration when amending an insurance application. Consent is generally established by the signature of the parties involved and the date the changes were agreed to.

In instances where an amendment is provided with the policy as a delivery requirement, it is the Financial Professional's responsibility to return the signed amendment to Nationwide within 20 business days.

## **6.8 Policy Delivery**

Delivery of an insurance policy/contract generally means that the owner has taken possession of the contract. For most states, the most common proof of delivery methods that are prescribed are as follows:

- Registered or Certified Mail (return receipt requested)
- Personal delivery with a delivery receipt signed by the owner

One purpose of the delivery receipt is to establish the beginning of the period in which the insurance contract owner has the right to return the contract for a refund. The delivery receipt also provides a protective measure to the Financial Professional, the broker/dealer firm or general agent, and Nationwide from a false claim regarding when (or if) a contract was delivered.

---

<sup>1</sup> These requirements are not intended to address other New York pre-sale requirements.

The requirements regarding delivery receipts vary by state and it is the Financial Professional's responsibility to be familiar with the contract delivery requirements in all states in which he/she conducts business. Several states require than an insurance contract be delivered within a "reasonable period of time" after the contract was issued.

Nationwide may send an annuity contract or life insurance policy directly to the contract/policy owner or, depending upon the distribution channel, the Financial Professional may receive the contract or policy for delivery. If sent directly by Nationwide to the contract/policy owner, the Financial Professional will receive a copy of the direct delivery confirmation statement which should be kept in the client's file. If the Financial Professional requests to deliver the contract or policy to the contract/policy owner, the Financial Professional must document the method of delivery and retain the delivery receipt (if applicable), signed, and dated by the client, in the client's file. Financial Professionals must provide this documentation to Nationwide at any time upon request. It is the Financial Professional's responsibility to deliver the contract/policy in a prompt and timely manner to ensure that the client has the opportunity to review the contract/policy during the free look period which commences upon the client's receipt of the contract/policy.

The Financial Professional should not deliver any insurance product contract/policy unless (a) the person to be insured is in good health and insurable condition at the time of delivery and (b) the first premium has been fully paid.

In states that require a delivery receipt, it is the Financial Professional's responsibility to return the signed delivery receipt to Nationwide within 20 business days.

Unless otherwise stated, delivering, or forwarding money, confirmations or account statements to any other person or entity or to an address other than the address of record of the contract/policy owner is strictly prohibited.

## **7. Long Term Care**

Long-term care insurance is regulated separately from annuities and life insurance with state insurance law generally using the NAIC Long-term Care Insurance Model Act (“LTC Model Act”) and the NAIC Long-term Care Insurance Model Regulation (“LTC Model Regulation”) as its foundation.

The following policies are designed to achieve compliance with state and federal rules and regulations specific to long-term care insurance. These apply to any long-term care rider as well as any linked benefit life insurance and long-term care product offered by Nationwide.

### **7.1 Financial Professional Licensing & Training**

The LTC Model Act requires Financial Professionals to hold an accident and health or sickness license or a life insurance license. However, many states require the Financial Professional to hold both types of insurance license. Financial Professionals are responsible for knowing the long-term care licensing and training requirements in all states in which he/she conducts business.

While the LTC Model Act has the following training requirements, each state has specific initial and ongoing training requirements. Refer to *Licensing and Training Requirements for Nationwide’s Long-term Care Product Suite* for detailed information regarding each state’s long-term care licensing and training requirements.

- Before selling or soliciting long-term care insurance, Financial Professionals must complete a one-time training course that is at least eight (8) hours
- Financial Professionals must meet an ongoing training requirement of four (4) hours every 24 months

The required long-term care training must consist of topics related to long-term care or long-term care services, but not related to training that is insurance company or insurance company product specific or that includes sales or marketing information.

Once appointed with Nationwide, and prior to submitting an application for long-term care coverage, Nationwide requires Financial Professionals to complete its long-term care training program. In Massachusetts, product training is required as an additional training.

### **7.2 Standards for Marketing Long-term Care**

The LTC Model Regulation requires insurance companies to establish standards for marketing long-term care. In addition to the requirements outlined throughout this Business Practices and Compliance Guide, Nationwide expects Financial Professionals to adhere to the following when selling long-term care:

- Any marketing activity, including a comparison of policies, must be fair and accurate
- All required long-term care point of sale disclosures, whether required at the time of solicitation, at the time of application, or at the time of policy delivery, must be provided to the applicant

- Make every reasonable effort to identify whether or not an applicant has any existing health, accident, and sickness, and/or long-term care insurance and identify the types and amounts of insurance
- Make every reasonable effort to obtain any information necessary to evaluate an applicant's situation and whether or not the purchase or replacement of long-term care is suitable
- Deliver any Nationwide long-term care offering to the contract/policy owner no later than thirty (30) days after the date the contract or policy is approved

### **7.3 Prohibited Practices**

In addition to those practices prohibited outlined in Section 10 of this guide, as well as any practice prohibited by a state's unfair trade practices act, the following long-term care sales practices – as defined by the LTC Model Regulation – are prohibited:

- Twisting – the act of inducing or attempting to induce a policy owner to drop an existing life insurance policy and to take another policy that is substantially the same kind by using misrepresentations or incomplete comparisons of the advantages and disadvantages of the two policies for the purpose of inducing, or tending to induce, any person to lapse, forfeit, surrender, terminate, retain, pledge, assign, borrow on or convert any insurance policy or to take out a policy of insurance with another insurer
- High Pressure Tactics – employing any method of marketing having the effect of or tending to induce the purchase of insurance through force, fright, threat, whether explicit or implied, or undue pressure to purchase or recommend the purchase of insurance
- Cold Lead Advertising – making use directly or indirectly of any method of marketing which fails to disclose in a conspicuous manner that a purpose of the method of marketing is solicitation of insurance and that contact will be made by an insurance agent or insurance company
- Misrepresentation – misrepresenting a material fact in selling or offering to sell a long-term care insurance policy

Additionally, Financial Professionals are prohibited from:

- Selling or issuing long-term care insurance with benefits that would be considered excessive for the applicant's circumstance
- Selling long-term care if the applicant is eligible, or expects to be eligible, for Medicaid
- Misrepresenting his/her expertise, qualifications or training to potential applicants and must not comment on the legal or tax implications of purchasing long-term care insurance to the extent that he/she lacks the training, qualification, or license to provide such advice

### **7.4 Suitability**

The LTC Model Regulation requires that insurance companies and Financial Professionals marketing long-term care insurance develop standards to determine whether issuing long-term care insurance coverage is appropriate for an applicant.

Financial Professionals must make a reasonable effort to obtain any information necessary to evaluate an applicant's situation and whether the purchase or replacement of long-term care is appropriate. While there is no standard approach to determine long-term care suitability, there are some general rules of thumb to consider when determining an applicant's suitability. Financial Professionals will find additional information regarding long-term care suitability in the *Long-term Care Suitability* guide.

Nationwide's long-term care suitability standards may apply to applications for any linked benefit life insurance and long-term care product that Nationwide may offer as well as any long-term care rider in states where the requirement for long-term care suitability is not exempt.

Financial Professionals agree to ensure that they act in accordance with the long-term care suitability standards and to complete all training required pursuant to all laws, rules or regulations adopted by any applicable state.

Recommending to a consumer the purchase, sale, or exchange of any insurance product without a reasonable basis to believe the recommendation is suitable or consistent with the consumer's financial objectives is prohibited.

Recommending unsuitable transactions for a consumer (i.e., transactions that conflict with the consumer's financial objectives and/or financial condition in terms of size or frequency) is prohibited.

## 7.5 Replacement

With long-term care, the governing replacement rule may vary depending on the type of product that is being replaced. The following table generally indicates which replacement notice should be used.

Existing Product	Replacing Product <sup>2</sup>	Governing Replacement Rule	Required Replacement Notice
Long-term Care Insurance	Life Insurance that accelerates the death benefit for long-term care	Long-term Care	<i>Notice to Applicant Regarding Replacement of Individual Accident and Sickness or Long-term Care Insurance</i>
Annuity or Life Insurance	Life Insurance that accelerates the death benefit for long-term care	Annuity/Life Insurance	<i>IMPORTANT NOTICE: Replacement of Life Insurance or Annuities</i>

<sup>2</sup> Life insurance that accelerates the death benefit for long-term care includes a long-term care rider or any linked benefit life insurance and long-term care product

Existing Product	Replacing Product <sup>2</sup>	Governing Replacement Rule	Required Replacement Notice
Life Insurance that accelerates the death benefit for long-term care	Life Insurance that accelerates the death benefit for long-term care	Annuity/Life Insurance and Long-term Care	<ol style="list-style-type: none"> <li>1. <i>Notice to Applicant Regarding Replacement of Individual Accident and Sickness or Long-term Care Insurance; AND</i></li> <li>2. <i>IMPORTANT NOTICE: Replacement of Life Insurance or Annuities</i></li> </ol>

**Financial Professionals are expected to be able to demonstrate, at any time upon request by Nationwide, how any new long-term care benefit is clearly and substantially better than the benefits of any replaced policy or contract.**

## 7.6 HIPAA

A long-term care policy is a health plan, and the issuing company is a covered entity under the Health Insurance Portability and Accountability Act (“HIPAA”), therefore, the issuing company is subject to certain HIPAA requirements.

HIPAA’s Privacy Rule protects all “individually identifiable health information” and refers to this as “protected health information.” Unlike life insurance and annuities, information on an application for long-term care insurance is considered protected health information. HIPAA specifies that individually identifiable health information is information, including demographic data, that relates to...

- the individual’s past, present or future physical or mental health or condition,
- the provision of health care to the individual, or
- the past, present, or future payment for the provision of health care to the individual,

...and that identifies the individual or for which there is a reasonable basis to believe it can be used to identify the individual. Individually identifiable health information includes many common identifiers such as name, address, birth date, and social security number.<sup>3</sup>

Under HIPAA, distribution partners, Financial Professionals, and other third parties are considered “business associates” if they access, receive, process, or transmit protected health information of the applicant on behalf of Nationwide. Such parties must enter into a Business Associate Agreement (“BAA”) with Nationwide and the Nationwide Financial business unit that enters into the BAA must

<sup>3</sup> Source: <http://www.hhs.gov/hipaa/for-professionals/privacy/laws-regulations/index.html>

track and store these agreements. The BAA addresses topics such as the privacy and security of protected health information as well as necessary training, breaches, and security incidents.

The requirement for a signed BAA applies to a long-term care rider as well as any linked benefit life insurance and long-term care product.

## **7.7 Unique State Requirements**

California, Maryland, Massachusetts, and Vermont have additional long-term care requirements that Financial Professionals should be aware of.

### California

Financial Professionals who offer or sell a universal life insurance policy, with long-term care rider as an election, must provide the *Disclosure of Risk of Lapse and Offer of Protection Against Lapse* form at the time of application. The disclosure must be signed and dated by the applicant and Financial Professional. A copy of the disclosure must be retained by the applicant and an additional copy must be retained by Nationwide.

### Maryland

Financial Professionals who offer or sell long-term care insurance policies or contracts are required to advise an individual considering the purchase of a long-term care insurance policy or contract about the availability and benefits of a policy that qualifies under the Qualified State Long-term Care Insurance Partnership Program; and provide a disclosure statement to each applicant for long-term care insurance about the program.

### Massachusetts

Financial Professionals, or persons marketing a long-term care offering, shall clearly identify which plans being offered are individual products and which are group products. If marketing a group product, Financial Professionals must identify the name of the group policyholder and identify any condition that must be satisfied to join and remain as a member of the group.

Financial Professionals must disclose to potential applicants the name of the insurance company that the Financial Professional represents in the sale.

Massachusetts requires Financial Professionals marketing an insurance company's long-term care offering to disclose the fact that he/she receives compensation in connection with the sale or replacement of all long-term care insurance.

### Vermont

In connection with a replacement transaction, Financial Professionals must leave with the applicant, at the time of application, the original or a copy of all sales material used. With respect to electronically presented sales material, it shall be provided to the policy or contract owner in printed form no later than at the time of policy or contract delivery. Additionally, Financial Professionals must submit to Nationwide a copy of the following items, as appropriate, with a long-term care application:

- A copy of the *Long-term Care Insurance Personal Worksheet*, the *Potential Rate Increase Form*, and the *Senior Insurance Counseling Program* disclosure

- A statement identifying any Nationwide approved sales material used
- Copies of any individualized sales material used, including any illustration related to the specific product purchased

## **8.     Suitability and Best Interest**

Note: This section applies to annuities sales in all states and fixed life insurance transactions in the State of New York

It is the responsibility of the Financial Professional to ensure the suitability and best interest of the transaction that is being recommended based on state law requirements and Nationwide's policies and procedures. Financial Professionals agree that they will act in accordance with the best interest and suitability standards and will complete all required training prior to discussing, soliciting, or offering insurance products.

### **8.1     Required Suitability Information to be Obtained**

In recommending to a consumer the purchase, exchange, or replacement of an insurance product, the Financial Professional shall act in the best interest of the consumer and must have reasonable grounds for believing that the recommendation is suitable for the consumer based on the consumer's needs, objectives and suitability information which includes but is not limited to the consumer's:

- Age
- Annual income
- Financial situation and needs, including the financial resources used for the funding of the annuity
- Financial experiences
- Financial objective
- Intended use of the annuity
- Financial time horizon
- Existing assets, including investment and life insurance holdings
- Liquidity needs
- Liquid net worth (excluding consumer's principal residence)
- Risk tolerance, and
- Tax status

Based on the consumer's suitability information gathered and other facts disclosed by the consumer, the Financial Professional must have a reasonable basis to believe and provide information to ensure that:

- The consumer has been informed about the annuity
- The consumer would benefit from certain features of the annuity
- The annuity as a whole, the underlying subaccounts, and riders and/or similar product enhancements are suitable for the particular consumer, and

- In the case of an exchange or replacement of an annuity, that the exchange or replacement is suitable, including taking into consideration the following factors:
  - Whether the consumer will incur a surrender charge, be subject to the commencement of a new surrender period, lose existing benefits (such as death, living, annuity payout or other contractual benefits), or be subject to increased fees, investment advisory fees or charges for riders and similar product enhancements
  - Whether the consumer would benefit from product enhancements and improvements; and
  - Whether the consumer has had another annuity exchange or replacement and, in particular, an exchange or replacement within the preceding 60 months.

To ensure that the consumer has been reasonably informed about the annuity, the Financial Professional must provide the following information to the consumer along with any other relevant information:

- Potential surrender period and surrender charge
- Potential tax penalty if the consumer sells, exchanges, surrenders, or annuitizes the annuity
- Potential loss of a higher minimum interest rate or annuity payout rate
- Applicable fees including mortality, expense, and investment advisory fees
- Potential charges for and features of riders
- Limitations on interest returns
- Insurance and investment components and market risk
- Possible product features including tax differed growth, annuitization, death or living benefits, and underlying subaccounts, and
- Disclosure of lost extra credit/bonus payments or living benefits relating to replacements

Some states may have suitability and best interest standards that are more comprehensive. It is the responsibility of the Financial Professional to ensure requirements of his/her state and/or member firm are being followed. For those products in which the selling firm conducts suitability reviews, Nationwide will rely on Firms to supervise that Financial Professionals are acting in the best interest of consumers and as well as maintaining the required records. If Nationwide is conducting fixed product suitability, Nationwide will rely on the Financial Professional to complete the required state specific Suitability Form or Suitability and Best Interest Questionnaire form and to provide the respective forms to clients, and if required any best interest disclosures.

Financial Professionals shall not submit any transaction to Nationwide if the suitability of a sale is in question or if the best interest or suitability requirements were not met in accordance with any state specific guideline or regulation. All records must be maintained in accordance with the Recordkeeping section of this Guide.

At the time of sale, the Financial Professional must (i) make a record of any recommendation made pursuant to suitability standards including if no recommendation is made, or the recommendation was based on inaccurate information; (ii) obtain a consumer signed statement documenting the consumer's refusal to provide suitability information, if applicable; and (iii) obtain a consumer signed statement acknowledging that an annuity transaction is not recommended if a consumer decides to purchase an annuity that is not based on the Financial Professional's recommendation.

Under no circumstance should the Financial Professional attempt to dissuade a consumer from (i) truthfully responding to Nationwide's request for confirmation of suitability information; (ii) filing a complaint; or (iii) cooperating with the investigation of a complaint.

## 8.2 2020 Department of Labor (DOL) Fiduciary Rule

The DOL's definition of fiduciary requires Financial Professionals to act in the best interests of their clients and put their clients' interests above their own when making recommendations to an ERISA covered plan or IRA.

In 2020, the DOL issued new guidance for determining whether someone is an investment advice fiduciary ("fiduciary"), and as a result, certain actions that didn't traditionally trigger fiduciary status (e.g., rollover recommendations) may now do so.

Generally, a Financial Professional who meets the DOL's definition of a fiduciary and who receives compensation in connection therewith must rely on a Prohibited Transaction Exemption ("PTE") to receive the compensation.

PTE 84-24 provides relief for certain transactions relating to the purchase of annuity contracts, and the payment of associated sales commissions to Financial Professionals.

If a Financial Professional is found to be a fiduciary but did not meet the requirements of a PTE in order to receive compensation, the Financial Professional may be subject to stringent financial penalties and/or excise taxes imposed by the IRS, DOL, or both.

Generally, PTE 84-24 requires the Financial Professional to *disclose*—prior to the execution of the transaction—the following information in writing and to *obtain* the client's signature authorizing the transaction:

- Any affiliation with the insurance company whose contract is being recommended.
- Whether the Financial Professional's ability to recommend a contract is limited by any agreement with the insurance company.
- The sales commission expressed as a percentage of gross annual premium payments for the first year and each of the succeeding renewal years.
- A description of any charges, fees, discounts, penalties, or adjustments which may be imposed under the recommended contract.
- Nationwide provides educational tools to assist the Financial Professional in determining his or her fiduciary status; ***however, it is ultimately the Financial Professional's responsibility to make the final determination and comply with a PTE as needed.***
- Financial Professionals that sell fixed and fixed indexed annuities will most likely rely on PTE 84-24 while registered representatives of broker dealers will rely on the new PTE 2020-02. Financial Professionals relying on 2020-02 should work with their Firm for guidance.

### **8.3 Replacements**

Financial Professionals should always keep in mind that older annuity products might offer greater benefits such as minimum interest rates or annuity payout rates. Furthermore, certain require the selling Financial Professional document a statement which outlines the benefits of the contract/policy and in the case of the replacement the statement must include details the benefits gained, and all benefits that are lost with the replacement. It is important to understand the benefits within the existing annuity contract or life insurance policy by requesting the existing contract/policy from the consumer or contacting the replaced carrier. Certain states, such as New York, specifically require that the Financial Professional work to obtain an annuitization quote from the replaced firm for the product that is being replaced.

### **8.4 Training**

Prior to soliciting the sale of an insurance product, the Financial Professional is required to have adequate knowledge of the product to make a recommendation. Accordingly, the Financial Professional must complete all applicable training, required by any state laws, rules, or regulations and/or Nationwide's policies and procedures. This also includes product specific training and general annuity training offered by an education provider approved by the applicable state insurance department. Training topics may include: (i) types and classifications of annuities; identification of the parties to an annuity; how contract feature affect consumers; income taxation consideration; primary uses of annuities; and appropriate sales practices and disclosure requirements. Nationwide can and will require additional training at its discretion before a Financial Professional can offer certain products. Financial Professionals must provide certification and proof of training completion upon Nationwide's request or their access to products or appointment may be suspended or terminated.

### **8.5 Fixed Life Insurance Suitability**

Not all states mandate suitability review by the selling firm or insurance carrier. State law may require insurance companies and Financial Professionals to adhere to suitability standards for life insurance products. Financial Professionals agree to ensure that they act in accordance with the suitability standards.

### **8.6 Failure to Comply with Suitability Standards**

Recommending to a consumer the purchase, sale, or exchange of any insurance product without a reasonable basis to believe the recommendation is suitable or consistent with the consumer's financial objectives is prohibited.

Recommending unsuitable transactions for a consumer (i.e., transactions that conflict with the consumer's financial objectives and/or financial condition in terms of size or frequency) is prohibited.

**8.7 Post Issue Transactions Involving New York Policyholders (New York Regulation 187)**

**a. Recommended transactions that generate new compensation**

Recommending any transaction to a consumer which constitutes a modification of or election of a contractual provision under an in-force policy which generates new sales compensation requires that the Financial Professional meet all applicable suitability standards and best interest requirements outlined above as well as:

- Includes new monies applied that were not discussed or illustrated as part of the original account opening in which the Financial Professional is making a recommendation
- Excludes new monies in which the Financial Professional is not involved but may be compensated on the transaction

**b. Recommended transactions that do not generate new compensation**

The best interest standard applies to a recommendation relating to any modification of or election of a contractual provision under an in-force policy that does not generate new sales compensation, is satisfied when:

- The Financial Professional's recommendation to the consumer reflects the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use under the circumstances then prevailing
- Only the interests of the consumer are considered in making the recommendation
- The amount of the Financial Professional's compensation or the receipt of an incentive does not influence the recommendation, and
- There is a reasonable basis to believe the consumer has been reasonably informed of the relevant features of the policy or contract and the potential consequences of the in-force transaction, both favorable and unfavorable

## **9. Consumer Privacy and Confidentiality**

Financial Professional are obligated to protect the privacy of customer information in accordance with state and federal privacy laws. Be sure to safeguard customer information at all times and to treat such information with strict confidentiality. Do not disclose customer information to any unauthorized party. Customer information should be handled on a need-to-know basis within your agency.

## **10. Prohibited Activities**

The marketing concepts or sales practices referenced below are prohibited. If the Financial Professional participates in any of these prohibited concepts, he/she may be subject to disciplinary action by Nationwide including, but not limited to, termination of the Selling Agreement.

### **a. Accepting Cash**

Financial Professionals are prohibited from accepting cash or checks made payable to the Financial Professional, or the Financial Professional's "doing business as" name, as payment for product purchases or services.

### **b. Altered Documents**

Making any corrections or alterations to a document after a consumer has signed it, without having the consumer acknowledging the change, is prohibited.

If there is an error on a document, the Financial Professional must cross out and correct the error. The consumer must initial and date the change. The Financial Professional must not use white out to cover an error made on a document, as the use of whiteout is prohibited.

Altering a document in any manner without consumer acknowledgement is subject to disciplinary action by Nationwide including, but not limited to, termination of the Selling Agreement.

### **c. Blank Forms**

Financial Professionals and associated persons are prohibited from asking a consumer to sign a form 'in blank,' even if it is for the consumer's convenience or at the consumer's request. An 'in blank' form is any document signed by the consumer where sections of the form are intentionally left blank (or partially blank) to be filled in at a later date by the consumer, the Financial Professional and/or other associated person.

### **d. Commission Assignments**

Financial Professionals are prohibited from advancing or assigning compensation received from Nationwide to any person or entity unless authorized by Nationwide and permitted by the Selling Agreement.

### **e. Commission Splitting**

A Financial Professional may only split part of the compensation received with an additional Financial Professional or entity if the additional Financial Professional or entity is properly licensed and appointed with Nationwide.

**f. Creating Fictitious Sales**

Financial Professionals are prohibited from submitting a non-bona fide application for the purchase of an annuity or insurance product. Also, opening or effecting transactions in accounts operating under a fictitious name is prohibited.

**g. Disparaging Remarks about Competitors**

Financial Professionals are prohibited from making disparaging, false or misleading statements about competitors in all states. All marketing and sales efforts should promote positive competition.

**h. Electronic Signatures**

- The issue State for any electronic application is the State in which the client is currently signing the application.
- The Financial Professional may not allow a client to use the Financial Professional's email address, or an email address provided by the Financial Professional for the purpose of facilitating an e-signature process.
- Financial Professionals may not sign on behalf of the client's using an Electronic Signature.

**i. Ethical Conduct**

Sales activities and conduct of Financial Professionals associated with Nationwide that is not undertaken on a basis that can be judged as meeting the ethical standards of applicable Nationwide policies or other industry standards of conduct is prohibited.

**j. Falsifying an Application**

Financial Professionals may not falsify an application for a consumer in order for another Financial Professional to receive a commission on the sale. There are no scenarios under which a Financial Professional is permitted to falsely reflect the Financial Professional who solicited the transaction.

**k. Failure to Disclose Conflicts of Interest**

Financial Professionals are required to disclose all potential conflicts of interest involved with the solicitation and issuance of an insurance policy or contract.

**I. Failure to Furnish Information**

Upon request, Financial Professionals must furnish information to which a consumer is entitled. Failure or refusal to furnish a consumer, upon request, information to which a consumer is entitled is prohibited. Additionally, failure to furnish information or provide a response to Nationwide Compliance inquiries is also prohibited.

**m. Financial Arrangements with Consumers**

Financial Professionals are prohibited from participating in certain financial arrangements with consumers. Specifically, Financial Professionals are prohibited from:

- Sharing of profits or losses in a consumer account
- Making loans to or accepting loans from a consumer (any exceptions to this policy, must be clearly authorized and documented in writing)
- Depositing personal funds in consumer accounts or depositing consumer funds in Financial Professional controlled accounts
- Paying premiums from the Financial Professional's funds on behalf of the consumer
- Assisting consumers in making credit arrangements in connection with insurance transactions
- Accepting a bequest under a consumer's will or trust (except for family members)
- Being named beneficiary or co-owner, acting in the capacity of a trustee, executor, administrator, conservator, or guardian, or being granted power of attorney on any annuity contract or life insurance policy (except for a contract or policy of an immediate family member). Exceptions may be granted by Firm approval

**n. Forgery**

Financial Professionals are prohibited from engaging in any of the following:

- Signing a consumer's or any other person's name and/or initials to a document
- Signing a consumer's or any other person's name and/or initials to a document, even if it is at the request of the consumer (known as accommodation forgery)
- Signing a consumer's or any other person's name and/or initials to a document at the direction of an insurance product sponsor
- Asking or permitting another person to sign a document in the place of a consumer (e.g., one joint account party signing for the other)
- Signing a Financial Professional's name and/or Financial Professional number to documents for an unlicensed associate Accepting documents the Financial Professional believes to have been forged

**o. Fraudulent Conduct**

Financial Professionals may not engage in any fraudulent conduct, including, but not limited to:

- Establishing fictitious accounts
- Conducting unauthorized transactions
- Misuse of client funds or securities
- Accepting, altering, or creating fictitious statements, including financial statements of net worth, confirmations, or other client related documents
- Giving direction to or allowing a client to misrepresent information, act in a dishonest manner, or to commit fraud
- Failing to disclose or misstating any material facts, including but not limited to, answering "no" to medical questions on an application
- Misrepresentation or exaggeration of product features

**p. Ghost Writing**

No Financial Professional may allow an unlicensed, or Financial Professional who is not appointed, to discuss or solicit Nationwide products and services. An unlicensed or non-appointed person may only act as an observer regarding product discussions or solicitation.

**q. Mail/Email**

Financial Professionals must ensure that only the client's permanent primary address is provided on an insurance application presented to Nationwide. Financial Professionals may not be the addressee or recipient of any correspondence or insurance statements in place of the client's primary address. Financial Professionals may not present or use any email owned or controlled by the Financial Professional for correspondence.

**r. Offering Tax or Legal Advice**

Providing tax or legal advice without proper qualifications is prohibited. In addition, Financial Professionals are prohibited from implying that tax and/or legal advice is being offered by Nationwide in any capacity. Rather, Financial Professionals should encourage their consumers to contact their own accountant or attorney.

**s. Pretexting**

Pretexting is prohibited by Nationwide. Financial Professionals must adhere to the following:

- Financial Professionals must identify himself/herself as a Financial Professional, marketing insurance products.
- When soliciting consumers, Financial Professionals are prohibited from misrepresenting the true purpose of a meeting, seminar, and/or workshop and the planned content.
- Financial Professionals are prohibited from presenting themselves as a client or any other interested party for any reason, including but not limited to, obtaining account information or effectuating transactions or withdrawals.

**t. Product Specific Incentive Programs and Sales Contests**

Incentive programs, sales contests, bonuses, sales quotas, and cash and non-cash compensation based on the sale of specific insurance products with a limited time period are prohibited.

**u. Prohibited Payments**

Financial Professionals may not make payments of any kind, directly or indirectly, to any person, government, corporation, or other entity to improperly influence the consideration of applications for a business activity or the receipt of other benefits, including obtaining or retaining business.

**v. Prohibition against Guarantees**

Warranting or guaranteeing the future value or price of any contract or policy, or indicating that any company, sponsor, or issuer will meet its promises, predictions or obligations is prohibited.

**w. Rebating**

“Rebating” is the practice of paying part of the commission (or something else of value, including contract/policy surrender charges, trust fees, etc.) to the consumer as an inducement for his/her business. Nationwide prohibits rebating in all states.

**x. Scare Tactics**

When discussing insurance products, Financial Professionals are prohibited from using any form of communication, statement, or statistical information that may be construed as a scare tactic by a regulator or Nationwide.

Information from a third-party source must be accurate and appropriate for the context in which the information is used.

**y. Selling an Indexed Product as a Security**

The contract/policy owner’s funds are placed in the general account of Nationwide and not directly invested in the equity markets. Financial Professionals are prohibited from marketing indexed insurance products as equity or market-based securities.

**z. Selling an Annuity Contract or Life Insurance Policy Prior to Completion of Required Training**

Financial Professionals agree to complete all training required pursuant to any and all laws, rules and regulations adopted by any applicable state prior to solicitation of an annuity contract or life insurance policy. Financial Professionals must provide such certification and proof of training completion upon Nationwide’s request or their access to products or appointment may be suspended or terminated.

**aa. STOLI / STOA / Life Viatical Settlements**

Nationwide prohibits participation in Stranger Originated Life Insurance (“STOLI”) transactions. STOLI is the initiation of a life insurance policy for the benefit of a third-party investor who, at the time of the creation of the policy, has no insurable interest in the insured.

Nationwide prohibits participation in Stranger Originated Annuities (“STOA”). In a STOA transaction, Financial Professionals and/or investors offer a stranger a nominal fee for the use of their identity as the measuring life on an investment-oriented annuity. Typically, individuals targeted to serve as annuitants are in extremely poor health or terminally ill and are not expected to live beyond the first year of the contract.

Nationwide prohibits participation in Life Viatical Settlements. A viatical settlement is the sale of a life insurance policy by the policy owner to a third-party investor who does not have an insurable interest in the insured's life. Generally, viatical settlements involve insured individuals with a life expectancy of less than two years. The third-party investor is buying the policy with the expectation that the insured's remaining life expectancy will be limited, and the investor will be able to collect the policy's death benefit.

**aa. Switching and Replacements**

Purchasing a new insurance product with the proceeds from the full or partial liquidation of an existing annuity contract or life insurance policy solely for the purpose of generating additional sales charges and commissions to the Financial Professional is prohibited.

**bb. Twisting**

The act of inducing or attempting to induce a policy owner to drop an existing life insurance policy and to take another policy that is substantially the same kind by using misrepresentations or incomplete comparisons of the advantages and disadvantages of the two policies for the purpose of inducing, or tending to induce, any person to lapse, forfeit, surrender, terminate, retain, pledge, assign, borrow on or convert any insurance policy or to take out a policy of insurance with another insurer.

**cc. Unfair Solicitation**

No Financial Professional may unfairly differentiate between individuals of the same underwriting class in such a manner that would rise to the level of discrimination.

## **11. Nationwide Due Diligence & Sales Conduct Committee (DDC)**

As noted under the Licensing & Appointment section of this manual, Financial Professionals seeking appointments are expected to uphold certain standards expected by Nationwide. Furthermore, Financial Professionals already appointed shall comply with the policies outlined in this manual. In situations are warranted, a referral may be made to this committee for review.

### **a. Purpose**

To ensure firms and/or financial professionals requesting to sell, service, or advise on Nationwide Financial products (“Applicants”) have met and continue to meet appropriate standards set by Nationwide Life Insurance Company (“NLIC”), Nationwide Life and Annuity Insurance Company (“NLAIC”), Jefferson National Life Insurance Company (“JNLIC”), Jefferson National Life Insurance Company of New York (JNLNY), and Nationwide Investment Services Corporation (“NISC”) as variable product distributors.

This committee shall be represented by representatives from the following business areas: Sales, Relationship Management, Supervision, Operations, Licensing, and Compliance/Legal.

During the committee meeting, members shall review the status of all outstanding action items (including any concerns or “findings” from current cases), new cases, and any issues that would impact the determination or status of an appointment, transfer, selling agreement or servicing agreement (*i.e., for JNLIC, JNLNY, this is the AAA signed between the Advisor and Client and for RP this is the Datasheet*).

### **b. Issues for Review**

- Issues to be presented to the DDC may be submitted by Sales, Licensing, Operations, Supervision, and/or Compliance/Legal. Issues may include, but shall not be limited to the following:
  - Any new broker/dealer General Agent (“BD Firm GA”) selling agreement requests
  - Any new Investment Advisor Representative (“IAR”) or Registered Investment Advisor (“RIA”) firm servicing agreement request
  - Any new fixed life insurance General Agent (“Fixed Firm GA”) selling agreement requests
  - Any new firm/ financial professional appointment or transfer or registration request, as applicable
  - Any new direct fixed insurance agent selling agreement request
  - Any suspension or termination request regarding an existing selling agreement or appointment of a financial professional or firm (Fixed Firm GA and BD Firm GA) currently appointed with NLIC or NLAIC, JNLIC, JNLNY; and/or registered with NSLLC
  - Any suspension or termination request regarding an existing servicing agreement of an IAR or RIA firm; and/or,

- Any material questions or issues, whether past or present, related to a firm, agent's or IAR's status, behavior, background, activities, regulatory standing, complaints, financial standing, and/or disciplinary events

**c. Outcomes**

- Approve or deny the firm level selling agreement or financial professional appointment requests
- Terminate, suspend, etc. an active firm level selling agreement or Financial Professional appointment, BGA appointment, IMO appointment or firm GA with Nationwide if a new firm level selling agreement or financial professional appointment request is denied
- Deny the firm level selling agreement or financial professional appointment request with the understanding that once the issue is resolved, the firm or financial professional may reapply in the future
- Deny the firm level selling agreement or financial professional appointment request but permit any existing appointments limited to service only
- Deny the Registered Investment Adviser (RIA) firm level servicing agreement or Investment Adviser Representative (IAR) servicing request
- Postpone a decision until additional information is gathered and presented to the respective committee seeking such information, or
- Take any other action the Committee deems reasonable and appropriate

**d. Appeal Process**

Final decisions of the DDC regarding individual appointments may be appealed only if new material facts exist which were not known by the DDC at the time of its initial decision. Compliance will present the case, with the new material facts, to the CCO, or his delegate to determine if additional DDC review is warranted. The decision by the CCO, or his delegate shall be final. If the case does warrant additional review, the case will be re-presented to DDC.

## **12. Anti-Money Laundering**

Financial Professionals shall comply with all applicable and effective anti-money laundering (AML) laws, regulations, and rules including the Bank Secrecy Act as amended by Title III of the USA PATRIOT Act, its implementing regulations, and related rules promulgated by applicable regulators. Financial Professionals shall also comply with the laws and regulations administered by the Office of Foreign Assets Control ("OFAC"). Collectively, these requirements include requirements to establish a written AML program, designate an AML officer, train appropriate staff (including agents), report suspicious activities involving products to the insurance company and regulators, scan records as required by OFAC, and make its AML program available to the insurance company and regulators.

### **a. Money Laundering – What Is It?**

There are three stages in money laundering: placement, layering, and integration. Placement occurs when the illicit funds are deposited into the retail economy or financial institutions. Layering is intended to cover the original source of the funds through multiple, and sometimes complex, financial transactions. Integration takes place when the funds are placed back into the economy with the appearance of legitimate origination. Insurance products and annuities are most vulnerable during the layering and integration stages of the laundering cycle.

Financial institutions are required to maintain money laundering preventative measures. With the passage of the Patriot Act, these requirements include insurance companies. Life insurance and annuities products pose a potential risk for money laundering and terrorism financing because of the cash value and investment features of the products – including the ability to make partial withdrawals or take loans against the product – providing a built-in camouflage for the origin of the funds.

Penalties associated with money laundering and OFAC can be severe. Federal penalties may include the following:

- Fines up to \$500,000 per violation
- Property involved in the transaction may be subject to seizure and forfeiture, and
- Individuals can be sentenced up to 20 years of imprisonment

Nationwide can and will require additional training at its discretion on products, suitability, and anti-money laundering before an agent can offer certain products. Financial Professionals must provide such certification and proof of training completion upon Nationwide's request or their access to products or appointment may be suspended or terminated. Nationwide has established a thorough Anti-Money Laundering Program setting forth how it complies with federal Anti-Money Laundering Laws.

Financial Professionals shall report to Nationwide, without undue delay, any unusual or suspicious activity or transactions (completed or attempted) involving consumers and/or potential consumers which involves its products. Notice shall be made by contacting the Office of Anti-Money Laundering Compliance at 1-877-406-4747, by email at [AMLReview@nationwide.com](mailto:AMLReview@nationwide.com) or by live mail to the Office of Compliance, FCSC 3-11-307. Financial Professionals shall ensure that any

activity reported to Nationwide remains confidential and that any report submitted to Nationwide and or any information related to such report is not disclosed to the consumer involved in such report or to any third party. Providing notice to Nationwide of any suspicious activity shall not relieve the Financial Professional of any duty it may independently have to report suspicious activities.

If any investigation arises involving the insurance products under a valid executed Selling Agreement, the Financial Professional agrees to fully cooperate with Nationwide in the investigation. Financial Professionals shall cooperate even if the investigation commences or continues after the Selling Agreement is terminated.

The following Red Flag list provides a sample of events or activities that should prompt reporting.

**b. Red Flags for Insurance Products**

- Source of funds cannot be confirmed or is questionable
- Withdrawals soon after deposit
- Any ownership change request
- Unexplained distribution to Payee or address NOT of account owner
- Withdrawal soon after address change
- Suspected Elder abuse or Fraud
- Multiple contracts of the same type for the same SSN
- Distribution activity for multiple contracts for the same SSN
- A customer uses unusual or suspicious identification documents
- Contracts on which multiple distributions have occurred in the past 24 months
- Customer account has large number of wire transfers to or from unrelated 3rd parties
- Customer's account indicates large or frequent wire transfers that are immediately withdrawn
- A customer or group tries to persuade an employee not to file required reports or maintain required records
- Fund transfers are ordered in small amounts in an apparent effort to avoid triggering identification or reporting requirements
- For no apparent reason, customer has multiple accounts under a single name or multiple names with large number of inter-account or 3rd party transfers
- Customer is not concerned about risks, commissions, investment performance or transaction costs or the account
- Customer attempts to make deposits of cash or cash equivalents (money orders, cashiers' checks, traveler's checks) or asks for exceptions to the Firm's policies regarding the deposit of cash
- Customer attempts to transact business using a foreign address (for account opening, deposit, or withdrawal)
- A business is reluctant, when establishing a new account, to provide complete information about the nature and purpose of its business, anticipated account activity, prior banking relationships, the names of its officers and directors, or information on its business location
- Regarding nonprofit or charitable organizations, financial transactions occur for which there appears to be no logical economic purpose, or in which there appears to be no link between the stated activity of the organization and the other parties in the transaction

- Transactions without an apparent business reason or when the activity is inconsistent with the customer's business or past history
- Customer has a questionable background or has been the subject of news reports involving possible criminal, civil or regulatory violations
- Multiple free looks for the same SSN or other withdrawals with a high rate of surrender charge
- Customer expresses concern over strict adherence to anti-money laundering procedures, or shows unusual interest in Nationwide or the Firm's AML policies and procedures
- Customer makes a change to a previous SSN or ITIN when no typo is identified
- Contract, account, policy loans or surrender values that are subject to a substantial transaction charge
- Unusual use of multiple contracts or accounts owned by the same person
- A Financial Professional, broker, or agent on the contract is participating in any of the red flag activities outlined

**All suspicious activity must be kept confidential. Information should only be discussed with those persons who need to know.**

Do not update or document customer files or computer systems with information associated with suspicious activity.

Remember that while most transactions are legitimate and lawful, criminals do attempt to use the financial systems to hide the proceeds of their illicit activities. Vigilance on your part is an ongoing responsibility, and activity you identify may result in reporting that is critical to a law enforcement investigation.

## **13. Consumer Complaints**

Nationwide understands that not all complaints have merit or basis in fact. Financial Professionals are prohibited from settling consumer complaints without the involvement of Nationwide. Financial Professionals who attempt to settle complaints on their own, rather than according to established policies and procedures of Nationwide, may be subject to disciplinary action by Nationwide including, but not limited to, termination of their appointment(s) and/or Firm Selling Agreement.

A complaint is any written statement of or by a consumer, legal counsel or other representative of a consumer or a regulatory agency alleging the mishandling of an account or transaction or improper conduct on behalf of a Financial Professional, or other associated persons. This definition includes, but is not limited to, written allegations regarding:

- Any federal or state insurance law violation
- Misrepresentation of a product or a service to a consumer
- Failure to provide a suitable product for a consumer
- Failure to disclose material information to a consumer
- Failure to act in the client's best interest
- Misleading representations made to a consumer
- Failure to follow consumer instructions
- Failure to provide proper documentation to a consumer
- Theft or misappropriation of consumer funds or securities
- Forgery
- Providing a consumer with false or misleading sales literature
- Problems regarding full/partial transfer of a consumer's account
- Problems regarding receipt/disbursement of a consumer's funds
- Contract/policy owner failed to receive statements or confirmations
- Contract/policy owner has tax reporting problems (including 1099, withholding issues, etc.)
- Failure to disclose fees or payment of fees and service charges
- Contract/policy owner problems regarding account administration and processing

The Financial Professional agrees to immediately notify Nationwide, and their firm, of any consumer complaint involving an insurance product offered by Nationwide. The complaint must be forwarded to the following address:

Nationwide Customer Advocacy Group  
One Nationwide Plaza 03-04-101 Columbus, OH 43215

The Financial Professional agrees to cooperate fully in any insurance or other regulatory or judicial investigation or proceeding arising in connection with Nationwide, our insurance products, or the Financial Professional.