

Business Practices and Compliance Guide



Nationwide Life Insurance Company Nationwide Life and Annuity Insurance Company

Updated November 2018

For Insurance 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.

This Guide is not a contract and is not intended to create any contractual rights in favor of the Agent or Nationwide. The Guide does not alter the current relationships between the Agent and Nationwide. Furthermore, Nationwide Life Companies reserve 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:

Section 6 – New Business Submission (clarifying language under the “Soliciting, submitting, or servicing insurance business” section)

- *Added “...life insurance preliminary information (New York Only)”*

Section 6.6 – State of New York – Life Insurance Preliminary Information Statement (new section)

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1. Definitions

Agent of Record – the Insurance 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 Life Companies and the Insurance 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 an Insurance 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 the Nationwide Life Companies or another insurance company

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

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

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

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

Nationwide[®] – refers broadly to Nationwide the organization and not any particular underwriting company

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

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

Selling Agreement – the Master Distributor Agreement, Master Sub-Distributor Agreement, Marketing Agreement, General Agent Agreement or Independent Agent Agreement between the Nationwide Life Companies and the Insurance 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 and Nationwide Life and Annuity Insurance Company (“Nationwide Life Companies”). The policies and procedures in this guide govern the activities of Insurance Professionals. All Insurance Professionals are required to comply with the policies and procedures set forth in this guide, 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 Insurance Professional maintains a securities license, it is the responsibility of the Insurance 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 Insurance Professionals who are committed to observing high standards of behavior. The Nationwide Life Companies expect quality life insurance business with excellent persistency from the Insurance 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, the Nationwide Life Companies may publish revisions to this guide by issuing a Compliance Bulletin. All Insurance Professionals who receive a communication from the Nationwide Life Companies 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 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 Insurance Professional’s appointment and contract with Nationwide. You can access this Guide at any time online at nationwidefinancial.com.

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, Insurance 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 Insurance Professional does not reside there
- Licensed in the state where the Trust is domiciled
- Appointed with the applicable Nationwide Life Company

If an Insurance Professional is not properly licensed and appointed with the Nationwide Life Companies, commissions on the sale of insurance products cannot be paid to the Insurance Professional.

a. Licensing Requirements

Rules and regulations require that Insurance 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 an Insurance Professional is in the business of advising clients on replacing any securities or variable products, Nationwide requires that Insurance Professionals have the appropriate securities license. Nationwide reserves the right to request that the Insurance 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 Insurance 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

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

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

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

c. Appointment and Notification Requirements

An appointment is an authorization given by an insurance company to an Insurance 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 Insurance Professional solicits business, must generally appoint the Insurance Professional. Appointments through previous employers/entities are no longer valid once an Insurance Professional terminates the relationship. Insurance Professionals must obtain new appointments through the Nationwide Life Companies.

Insurance Professionals must be licensed to sell insurance products offered by Nationwide Life Companies. Insurance 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 Insurance Professional must complete the Background Investigation Consent and Release Form so the Nationwide Life Companies can ascertain his or her good character, business qualifications, and experience.

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

3.1. Errors and Omissions Insurance

Insurance 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 acceptable to the Nationwide Life Companies and proof of coverage must be provided upon request.

3.2. Contracting

Insurance 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. In order to receive any compensation, the Insurance Professional must be licensed and appointed with the applicable Nationwide Life Company in the policy issue state at the time of policy issue.

An Insurance Professional's authority shall not extend further than stated in the executed Selling Agreement, nor shall the Insurance 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 the Nationwide Life Companies
5. Receive any money for the Nationwide Life Companies 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 the Nationwide Life Companies
7. Solicit business in a state where the policy is not approved for sale
8. Violate any published policy of the Nationwide Life Companies regarding viatical sales

3.3. Recruiting

A general agent may recommend duly licensed Insurance Professionals to solicit insurance products offered by the Nationwide Life Companies. The Nationwide Life Companies, at its sole discretion, may choose to approve or deny any appointment request. The Nationwide Life Companies may terminate a relationship with an Insurance 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.

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

Prohibited conduct, as outlined in Section 9 of this guide, by an Insurance Professional may result in the Nationwide Life Companies 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 the Nationwide Life Companies 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 an Insurance Professional that the Nationwide Life Companies identifies as warranting termination for cause will be decided by the Nationwide Life Companies. Nationwide Life Companies will refer to each individual state Statute to determine when termination for cause is applicable.

4. Professional Designations

Insurance Professionals must comply with the applicable state laws and regulations regarding professional designations in the state(s) in which the Insurance Professional is licensed. Insurance Professionals who have satisfied designation requirements and are current with the designations' continuing requirements may utilize professional designations. The Insurance Professional may not use professional designations in a false or misleading manner. If an Insurance Professional uses a professional designation in violation of a state regulation, the Insurance Professional may be subject to disciplinary action by the Nationwide Life Companies 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. Insurance Professionals must represent completely and truthfully the terms, conditions, features, benefits, costs, charges, and risks associated with the insurance products offered by the Nationwide Life Companies. Insurance 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 the Nationwide Life Companies or approved by the Nationwide Life Companies prior to use

Insurance Professionals may only use the marketing, advertising, and sales literature that has been provided by the Nationwide Life Companies and approved. Any marketing, advertising, and sales literature, including but not limited to internet websites and/or social media outlets, which refer to the Nationwide Life Companies or any insurance product offered through the Nationwide Life Companies must be submitted for written approval prior to its use. To obtain approval, the Insurance 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,” or similar forms is prohibited.

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

Insurance Professionals may not use any property of the Nationwide Life Companies 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 the Nationwide Life Companies is prohibited.

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

Insurance 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

Insurance Professionals may only solicit applications for the insurance products offered by the Nationwide Life Companies in those states in which such products are approved and they are licensed to do so. Insurance 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.

Insurance 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 in order to maintain the license(s) and appointment(s). Individuals not appointed or licensed with Nationwide Life Companies are prohibited from soliciting clients on behalf of an Insurance Professional. The Nationwide Life Companies deem 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, the Nationwide Life Companies require that Insurance Professionals have a license in the consumer's resident state even if the Insurance Professional does not reside there.

a. Selling to Seniors

With the aging U.S. population, it is increasingly important for an Insurance 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?

It is the Insurance Professional's responsibility, if using a professional designation, to make sure the designation is approved in the state where the Insurance 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 Insurance 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.

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

The Insurance Professional shall cooperate and use its best efforts to provide such records as the Nationwide Life Companies 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

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 sales material and advertisements used during the sales process;
- Suitability information provided by the applicant and the basis for the Insurance 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)

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 Insurance Professional maintains a securities license, it is the responsibility of the Insurance 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 Life Companies, 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.

Insurance Professionals will find all the necessary information to underwrite a life insurance case in the Life Underwriting Requirements Guide. Insurance Professionals shall promptly forward to the Nationwide Life Companies all applications received in connection with the insurance products offered by the Nationwide Life Companies, regardless of the results of any medical examination. The Nationwide Life Companies, 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 the Nationwide Life Company 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 the Nationwide Life Companies.

Upon collection of premium, Insurance Professionals must:

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

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

- Must provide all information to which a consumer is entitled
- Must disclose all potential and actual conflicts of interest when dealing with consumers
- 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 the Nationwide Life Companies or any affiliate, make or modify products on behalf of the Nationwide Life Companies or any affiliate, or waive any rights or requirements of the Nationwide Life Companies 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 the Nationwide Life Companies and maintained in the Insurance Professional's client file
- 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 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 the Nationwide Life Companies 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 the Nationwide Life Companies or any affiliate in any way
- May not endorse, cash or deposit any check or draft made payable to the Nationwide Life Companies or any affiliate
- May not accept or deposit any check or draft for premiums made payable to any person or entity other than the Nationwide Life Companies
- 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 the Nationwide Life Companies and must immediately forward any notice of claim received to the Nationwide Life Companies administrative office
- May not perform any acts or exercise any authority on behalf of the Nationwide Life Companies or any affiliate other than as expressly authorized in the Selling Agreement, without prior written consent
- May not incur any indebtedness on behalf of the Nationwide Life Companies or any affiliate
- May not open any bank account or trust account on behalf of, for the benefit of, or containing the name of the Nationwide Life Companies or any affiliate
- May not commence any suit or action before any court or authority relating to any of the products offered by the Nationwide Life Companies
- May not directly or indirectly cause or attempt to cause any employee, agent or representative of the Nationwide Life Companies or any affiliate to terminate or alter his or her association with the Nationwide Life Companies or such affiliate
- The Insurance Professional may not, accept risks or contracts that bind the Nationwide Life Companies in any way, or initiate or respond to legal proceedings in the name of the Nationwide Life Companies.

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. Insurance 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. An Insurance 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 BDRQST@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 the Nationwide Life Companies policy NOT to accept the following forms of payment:

- Cash or currency of any kind (including Bitcoin or any form of cryptocurrency/cybercurrency)
- More than two (2) money orders per policy billing period or annuity contract
- Checks made payable to the Insurance Professional or the Insurance Professional’s “doing business as” name
- Checks drawn from the Insurance Professional’s account or any account over which the Insurance Professional has control
- Starter checks – any check without the preprinted name of the Applicant/Owner. These checks are used until the customer’s regular checks arrive
- 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 Life FBO: Owner/Applicant

**Endorsed checks:

- The check is issued to a Trust from the annuitant/insured

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.” Insurance 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 contract death and annuity income benefits.

When a transaction involves a replacement, the Insurance 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 Insurance Professional is recommending an immediate annuity to replace a deferred annuity, the Insurance Professional must understand and if the information is available illustrate to the consumer the annuity income benefits contained in the consumer’s deferred annuity that is the subject of replacement.

Insurance 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, the Nationwide Life Companies expect the Insurance Professional to submit all required replacement documentation.

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

Compensation arising in connection with any product that replaces an existing contract or policy issued by the Nationwide Life Companies or any affiliate thereof shall be subject to replacement rules of the Nationwide Life Companies. In certain instances, the Nationwide Life Companies 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 the Nationwide Life Companies 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 producer licensing, and solicitation to purchase insurance products. Insurance 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 Insurance 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 Insurance 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

The Nationwide Life Insurance Companies recognize 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 Insurance 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 that the Insurance Professional:

- is aware and has represented the applicable Nationwide Life Insurance 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 make every effort to deliver the life insurance policy or annuity contract in the state of issue.

Nationwide Compliance Requirements

The Insurance 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 insurance producer’s primary office location.

Nationwide requires a signed acknowledgement from the producer 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 an Insurance Professional, and the policy is applied for as illustrated, a copy of the illustration must be submitted to the Nationwide Life Companies 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 Insurance 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 the Nationwide Life Companies with a copy retained by the Insurance 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 Insurance Professional's responsibility to return the signed illustration to the Nationwide Life Companies within 20 business days.

6.6 State of New York – Life Insurance Preliminary Information Statement

New York Insurance regulations require a prospective life insurance purchaser be provided with accurate and complete preliminary information and a copy of the most recent Buyer's Guide, at or prior to the time of application.¹ Nationwide requires the 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 Insurance 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 Insurance Professional's responsibility to return the signed amendment to the Nationwide Life Companies within 20 business days.

6.8 Policy Delivery

Delivery of an insurance 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 Insurance Professional, the broker/dealer firm or general agent, and the Nationwide Life Companies from a false claim regarding when (or if) a contract was delivered.

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

The Nationwide Life Companies may send an annuity contract or life insurance policy directly to the contract/policy owner or, depending upon the distribution channel, the Insurance Professional may receive the contract or policy for delivery. If sent directly by the Nationwide Life Companies to the contract/policy owner, the Insurance Professional will receive a copy of the direct delivery confirmation statement which should be kept in the client's file. If the Insurance Professional requests to deliver the contract or policy to the contract/policy owner, the Insurance 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. Insurance Professionals must provide this documentation to the Nationwide Life Companies at any time upon request. It is the Insurance 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.

An Insurance 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 Insurance Professional's responsibility to return the signed delivery receipt to

¹ These requirements are not intended to address other New York pre-sale requirements.

the Nationwide Life Companies 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 the Nationwide Life Companies.

7.1 Insurance Professional Licensing & Training

The LTC Model Act requires Insurance Professionals to hold an accident and health or sickness license or a life insurance license. However, many states require the Insurance Professional to hold both types of insurance license. Insurance 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, Insurance Professionals must complete a one-time training course that is at least eight (8) hours
- Insurance 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 the Nationwide Life Companies, and prior to submitting an application for long-term care coverage, the Nationwide Life Companies require Insurance Professionals to complete its long-term care training program.

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 Insurance 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 – knowingly making any misleading representation or incomplete or fraudulent comparison of any insurance policies or insurers 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, Insurance 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 Insurance Professionals marketing long-term care insurance develop standards to determine whether issuing long-term care insurance coverage is appropriate for an applicant.

Insurance 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. Insurance Professionals will find additional information regarding long-term care suitability in *Steps to Evaluate Client Suitability for Long-term Care Coverage*.

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

Insurance Professionals agree to ensure that they act in accordance with the long-term care suitability standards and to complete all training required pursuant to any and 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 ²	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	IMPORTANT NOTICE: <i>Replacement of Life Insurance or Annuities</i>

² 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 ²	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"> 1. <i>Notice to Applicant Regarding Replacement of Individual Accident and Sickness or Long-term Care Insurance; AND</i> 2. IMPORTANT NOTICE: <i>Replacement of Life Insurance or Annuities</i>

Insurance Professionals are expected to be able to demonstrate, at any time upon request by the Nationwide Life Companies, 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.³

Under HIPAA, distribution partners, Insurance 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 the Nationwide Life Companies. Such parties must enter into a Business Associate Agreement (“BAA”) with the Nationwide Life Companies. The BAA addresses topics such as the privacy and security of protected health information as well as 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

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

Maryland

Insurance Professionals who offers or sells 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

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

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

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

Massachusetts requires Insurance 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, Insurance 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, Insurance Professionals must submit to the Nationwide Life Companies 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 Life Companies approved sales material used
- Copies of any individualized sales material used, including any illustration related to the specific product purchased

8. Suitability

It is the responsibility of the Insurance Professional to ensure the suitability of the transaction that is being recommended based on state law requirements and Nationwide Life Companies' policies and procedures. Insurance Professionals agree that they will act in accordance with the suitability standards and will complete all required training prior to soliciting or selling insurance products.

Insurance Professionals shall not submit any transaction to Nationwide Life Companies if the suitability of a sale is in question or if any of the suitability standards were not met. In the event an inquiry or claim against the Nationwide Life Companies is made with regard to the suitability of a sale of any of the products sold under any Selling Agreement, the Insurance Professional shall cooperate with the Nationwide Life Companies and will provide written or other materials upon request.

a. Annuity Suitability

In recommending to a consumer the purchase, exchange, or replacement of an annuity, the Insurance Professional must have reasonable grounds for believing that the recommendation is suitable for the consumer based on the consumer's suitability information which includes 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 Insurance 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 36 months.

Insurance Professionals should always keep in mind that older annuity products might offer greater benefits such as minimum interest rates or annuity payout rates. It is important to understand the benefits within the existing annuity contract by requesting the existing annuity contract from the consumer or contacting the replaced carrier.

To ensure that the consumer has been reasonably informed about the annuity, the Insurance 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;
- 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 deferred growth, annuitization, death or living benefits, and underlying subaccounts; and
- Disclosure of lost extra credit/bonus payments or living benefits relating to replacements

At the time of sale, the Insurance Professional must (i) make a record of any recommendation made pursuant to the suitability standards; (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 Insurance Professional's recommendation.

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

Prior to soliciting the sale of annuity, the Insurance Professional is required to have adequate knowledge of the product to recommend the annuity. Accordingly, the Insurance Professional must complete all applicable training required by any state laws, rules or regulations. This 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. The Nationwide Life Companies can and will require additional training at its discretion before an Insurance Professional can offer certain products. Insurance 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.

b. Fixed Life Insurance Suitability

State law may require insurance companies and Insurance Professionals to adhere to suitability standards for life insurance products. Insurance Professionals agree to ensure that they act in accordance with the suitability standards.

c. 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.

9. Consumer Privacy and Confidentiality

As an Insurance Professional, you 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 an Insurance Professional participates in any of these prohibited concepts, he/she may be subject to disciplinary action by the Nationwide Life Companies including, but not limited to, termination of the Selling Agreement.

a. Accepting Cash

Insurance Professionals are prohibited from accepting cash or checks made payable to the Insurance Professional, or the Insurance 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 Insurance Professional must cross out and correct the error. The consumer must initial and date the change. The Insurance 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 the Nationwide Life Companies including, but not limited to, termination of the Selling Agreement.

c. Blank Forms

Insurance 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 Insurance Professional and/or other associated person.

d. Commission Assignments

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

e. Commission Splitting

An Insurance Professional may only split part of the compensation received with an additional Insurance Professional or entity if the additional Insurance Professional or entity is properly licensed and appointed with the Nationwide Life Companies.

f. Creating Fictitious Sales

Insurance 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

Insurance 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. Ethical Conduct

Sales activities and conduct of Insurance Professionals associated with Nationwide Life Companies 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.

i. Falsifying an Application

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

j. Failure to Furnish Information

Upon request, Insurance 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.

k. Financial Arrangements with Consumers

Insurance Professionals are prohibited from participating in certain financial arrangements with consumers. Specifically, Insurance 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 Insurance Professional controlled accounts
- Paying premiums from the Insurance 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.

l. Forgery

Insurance 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 an Insurance Professional's name and/or producer number to documents for an unlicensed associate
Accepting documents the Insurance Professional believes to have been forged

m. Fraudulent Conduct

Insurance 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

n. Mail

Insurance Professionals may not be the addressee or recipient of insurance statements in place of the client's address.

o. Offering Tax or Legal Advice

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

p. Pretext Selling

Pretexting is prohibited by the Nationwide Life Companies. Insurance Professionals must identify himself/herself as an Insurance Professional marketing insurance products. When soliciting consumers, Insurance Professionals are prohibited from misrepresenting the true purpose of a meeting, seminar, and/or workshop and the planned content.

q. Prohibited Payments

Insurance 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.

r. 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.

s. 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. The Nationwide Life Companies prohibit rebating in all states.

t. Scare Tactics

When discussing insurance products, Insurance 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 the Nationwide Life Companies.

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

u. Selling an Indexed Product as a Security

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

v. Selling an Annuity Prior to Completion of Required Training

Insurance 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 product. Insurance 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.

w. STOLI / STOA / Life Viatical Settlements

The Nationwide Life Companies prohibit 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.

The Nationwide Life Companies prohibit participation in Stranger Originated Annuities (“STOA”). In a STOA transaction, Insurance 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.

The Nationwide Life Companies prohibit 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.

x. 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 Insurance Professional is prohibited.

y. Twisting

The practice of twisting is prohibited. Twisting occurs when an Insurance Professional misrepresents the features of the policy to induce a client to purchase a policy, for the purpose of generating a commission. Often, the accumulated cash value of an older policy is used to mask the true cost of the new policy, allowing the Insurance Professional to provide what appears to be a favorable, but misleading, comparison.

z. Unfair Solicitation

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

11. Anti-Money Laundering

Insurance 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. Insurance 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.

The Nationwide Life Companies can and will require additional training at its discretion on products, suitability, and anti-money laundering before an agent can offer certain products. Insurance 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. The Nationwide Life Companies have established a thorough Anti-Money Laundering Program setting forth how it complies with federal Anti-Money Laundering Laws.

Insurance Professionals shall report to the Nationwide Life Companies, 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 BDRQST@nationwide.com or by live mail to the Office of Compliance, FCSC 3-11-307. Insurance Professionals shall ensure that any activity reported to the Nationwide Life Companies remains confidential and that any report submitted to the Nationwide Life Companies 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 the Nationwide Life Companies of any suspicious activity shall not relieve the Insurance 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 Insurance Professional agrees to fully cooperate with the Nationwide Life Companies in the investigation. Insurance 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.

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.

a. 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 withdrawal

- 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 producer, broker, or agent on the contract is participating in any of the red flag activities outlined

12. Consumer Complaints

The Nationwide Life Companies understand that not all complaints have merit or basis in fact. Insurance Professionals are prohibited from settling consumer complaints without the involvement of the Nationwide Life Companies. Insurance Professionals who attempt to settle complaints on their own, rather than according to established policies and procedures of the Nationwide Life Companies, may be subject to disciplinary action by the Nationwide Life Companies 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 an Insurance 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
- 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 Insurance Professional agrees to immediately notify the Nationwide Life Companies of any consumer complaint involving an insurance product offered by the Nationwide Life Companies. The complaint must be forwarded to the following address:

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

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