



ANNUITY SUITABILITY

Instruction Guide



Underwritten by
United of Omaha Life Insurance Company
A Mutual of Omaha Company

What is annuity suitability?

Suitability refers to conducting an appropriate review to determine whether it makes good financial sense for a person to purchase an annuity. All states require insurance companies and agents to make a reasonable effort to determine the suitability of a recommended sale or replacement.

Companies have the obligation to establish suitability standards and to make agents and clients aware of them.



The NAIC Model Regulation

Purchasing life and annuity products is often a complicated and confusing process for consumers of all ages. To address this issue, consumer protection standards were adopted by the National Association of Insurance Commissioners (NAIC) in the Suitability in Annuity Transactions Model Regulation (Model Regulation).

The Model Regulation imposes certain duties and responsibilities on insurers and insurance producers regarding the suitability of a sale or exchange of an annuity to a consumer. Specifically, when recommending to a consumer the purchase of an annuity or the exchange of an annuity, the insurance producer, or the insurer if no producer is involved, must have reasonable grounds for believing that the recommendation is suitable for the customer.

Suitability is based on facts disclosed by the consumer (client) regarding his or her investments and other insurance products and as to his or her financial situation and needs. To ascertain the product's suitability, prior to the execution of a purchase or exchange of the recommended annuity, the insurance producer, or insurer if no producer is involved, must make all reasonable efforts to obtain information concerning:

- The client's financial status
- The client's tax status
- The client's investment objectives, and
- Any other information used or considered to be reasonable in making the recommendation to the client

Ensuring Suitability

To ensure suitability, you must make a reasonable effort to know your client and to obtain information that is relevant to determine whether a product is suitable for the applicant. You must thoroughly understand the product you are offering to your client and whether it fits in with his or her short- and long-term goals.

You must also:

- Comply with the insurer's suitability standards
- Comply with any additional state requirements regarding suitability
- Maintain written documentation demonstrating compliance with these standards

Here are steps to take in determining suitability:

- Interview the client
- Determine whether the purchase of an annuity can address his or her needs
- Assess your client's tolerance for risk
- Understand your client's tax status (i.e., if the client is at a low/marginal tax rate, there would be little if any benefit in deferring income taxes)
- Consider where the client is in his or her life cycle (i.e., accumulation vs retirement/distribution stage)
- Review the company's market and suitability standards

Benefits

By ensuring suitability, you are helping to make certain:

- Your client's needs are met
- Penalties are avoided (i.e., from policy replacements)
- Your client's short- and long-term financial goals are met
- The right product is recommended

Annuity Consumer Profile Information Form

The Annuity Consumer Profile Information form (L7748_0121) must be completed and signed by the applicant and agent when selling fixed deferred and immediate annuities. This requirement applies to consumers of any age, and must be submitted with the application before an annuity application can be reviewed or the policy can be issued.

Some parameters to consider when beginning the annuity sale in order to make sure an annuity is a suitable product for your client:

- The applicant typically should have at least \$20,000 in annual income and the premium/estimated net worth ratio should be considered. Premium/estimated net worth ratio amounts greater than 40 percent may be reviewed for products with limited liquidity
- The applicant should have enough cash or liquid assets to cover their basic living expenses and/or unexpected emergencies. The annuitant should not anticipate the need for cash from the annuity that would cause surrender charges to apply
- The time horizon for the investment and the investment experience of the client should be appropriate for the annuity being considered by the applicant
- The applicant's issue age plus the surrender charge period should not exceed the life expectancy of the applicant
- The applicant should be in a federal income tax bracket above 10% if one of their goals is tax deferral

Please review the Annuity Consumer Profile Information form carefully with your client. **If the New Business team has any questions or concerns while reviewing the form, they will contact you in an attempt to clarify the information in question. If you cannot provide the information, New Business will contact the applicant to clarify or verify the information in question.** It might be helpful for you to let your client know in advance that they may receive a call from the home office during the underwriting process.

Please note, if the applicant refuses to provide the information requested on the Annuity Consumer Profile Information form, or only provides limited information, the owner does have the option to "opt out" by completing the 'Consumer Refusal to Provide Information' section at the end of the form.

If you do not recommend the purchase of an annuity, but the applicant still wants to purchase the annuity, the applicant can continue with the purchase by completing the 'Consumer Decision to Purchase an Annuity NOT based on a Recommendation' section at the end of the form.

It's important for owners to understand that if they sign in either of these sections, they may lose certain protections under their state's Insurance Code.

Completing the Annuity Consumer Profile Information Form

Product Name

Be sure to include the annuity product name (i.e., Ultra-Secure Plus 7).

Contract Owner/Annuitant

The complete name(s) of the contract owner(s)/annuitant(s), phone number, age last birthday and email address must also be included in this section

- If the owner of the contract is not an individual, complete the suitability form based on the annuitant's information
- The applicant's issue age plus the surrender charge period should not exceed the applicant's life expectancy

Product Name	_____
Contract	Name(s): _____
Owner/Annuitant	Phone Number: _____ Age Last Birthday: _____
	Email: _____

Financial Information

It is important that accurate financial details are documented in this area.

- **Annual Household Income:** Includes the spouse or partner's income, if applicable. Include income from other annuities in the total. The applicant should have at least \$20,000 in annual income and sufficient liquid net worth.
- **Estimated Net Worth:** Liquid assets are assets that can be readily turned into cash. For example: checking, savings, money market accounts, CDs, securities sold without penalties, etc. The assets being used to purchase this annuity should be included in this amount. The annuitant's primary residence, automobiles, and furnishings should be excluded. The premium estimated net worth ratio should be considered. Premium/estimated net worth ratio amounts greater than 40 percent may be reviewed for products with limited liquidity.
- **Federal Tax Bracket Percent:** The rate at which the annuitant will be taxed. If the applicant is interested in a deferred annuity and is not in a federal tax bracket above 10%, suitability will be in question.

In addition, the client needs to answer the question: "Are you able to meet debts or other obligations and do you have sufficient sources of cash, other income, or liquid assets available, other than the amount paid for this annuity, for living expenses and emergencies?"

Note: If the client answers "No" to this question, then an annuity purchase at this time would probably not be suitable.

Financial Information	Annual Household Income \$ _____
	Estimated Net Worth (excluding primary residence, automobile(s) and furnishings) \$ _____
	Do you have sufficient sources of cash, other income, or liquid assets, other than the amount paid for this annuity, available for living expenses and emergencies?
	☐ Yes ☐ No
	Federal Tax Bracket %
	☐ 0 to 10% ☐ Greater than 10%

Section continued on next page.

Source of Income

Check all applicable sources of income in this section. For example, Employment and Investments/Savings, or Retirement Plans and Social Security.

Source of Income (Check all that apply)	☐ Employment	☐ Retirement Plans
	☐ Investments/Savings	☐ Social Security
	☐ Other _____	

Insurance Product or Investment Experience

Check all applicable boxes relating to the client's insurance product/investment experience.

Insurance Product or Investment Experience (Check all that apply)	☐ Stocks	☐ Certificate of Deposit
	☐ Bonds	☐ Fixed Annuities
	☐ Mutual Funds	☐ Variable Annuities
	☐ Life Insurance	☐ Variable Life Insurance

Risk Tolerance

Risk tolerance is the degree of uncertainty that an investor can reasonably tolerate with regard to a negative change in his or her investments.

Risk Tolerance	☐ Low ☐ Moderate ☐ High
	Are you willing to accept the non-guaranteed elements in the annuity, if any?
	☐ Yes ☐ No

Source of Premium

All applicable areas should be checked for sources of annuity premium payments.

Source of Premium (Check all that apply)	☐ Stocks	☐ Checking/Savings Account
	☐ Bonds	☐ Certificate of Deposit
	☐ Mutual Funds	☐ Fixed Annuities *
	☐ Reverse Mortgage	☐ Variable Annuities *
	☐ Other _____	☐ Life Insurance *
	* Is this a replacement of another annuity or life contract?	
	☐ Yes ☐ No	
	If yes, what is the surrender charge(s) %, if any? _____%	

Be sure to indicate whether or not the applicant is replacing an annuity or life insurance contract in order to purchase this annuity. If a surrender charge is applicable, list the percentage assessed to the applicant.

Goals for this Annuity Product

Be sure this section is accurately completed to ensure the client's needs are prioritized. For example, it would be contradictory to check both Immediate Income and Wealth Accumulation as goals for the annuity product. Immediate Income should be used with annuities that provide an immediate income stream.

Goals for this Annuity Product (Check all that apply)	☐ Future Income	☐ Education Planning
	☐ Immediate Income	☐ Liquidity
	☐ Wealth Accumulation	☐ Charity/Inheritance
	☐ Tax Deferral	☐ Preservation of Capital
	☐ Other _____	

Product Time Horizon

The purpose of this section is to document the approximate timeframe when the client expects to need income from the annuity product, and their preference for withdrawing funds. If a surrender charge would apply at the end of the applicant's time horizon, that annuity is likely not suitable. If the applicant is unsure of how he or she will take distributions, select the most likely choice. The client's responses are not binding. Answers provided in this section should align with the client's financial objectives. The client should be encouraged to check only one box in each of these areas. For example, 8-10 Years and Penalty Free Withdrawal.

Product Time Horizon	When do you expect to start needing income from this annuity product?
	☐ 1 Year or Less ☐ 7-9 Years
	☐ 1-3 Years ☐ 10 Years or More
	☐ 4-6 Years ☐ Never (money is for charity/inheritance)
	How do you expect to withdraw funds from this annuity product?
	☐ Interest Only ☐ Specific Dollar Amount
	☐ Penalty Free Withdrawal ☐ Required Minimum Distribution
	☐ Annuitization (Tax Qualified Plan only)
	☐ Other _____

Section continued on next page.

Future Income Needs

Two areas need to be completed in this section:

- Indicate whether the applicant anticipates a change in their future financial situation. (Yes or No)
- If the client answers “Yes,” he or she should explain how and when they expect the change in their financial situation to occur. Please list all applicable situations. Consideration should be given to whether or not the annuity is suitable due to the annuitant’s possible need for additional income.

Future Income Needs	Do you anticipate any change in your financial situation in the next several years, such as: • Health care • Housing • Change in pension ☐ Yes ☐ No If yes, please explain, to the extent possible (e.g. when you expect the changes to occur, and the amount of each change)
	• Change in employment status/occupation • An income stream that will cease

Required Signatures

The owner must sign and date the Owner’s Confirmation.

If you have multiple owner’s purchasing the annuity, both must sign the Owner’s Confirmation. If both signatures are not included, the annuity application will not be processed.

Owner’s Confirmation I acknowledge that the information I have provided above is true and complete to the best of my knowledge. I understand that United of Omaha and my licensed producer can only assist me in determining the suitability of this product based upon the information that I actually provide to them. I have reviewed the Annuity Disclosure and have determined that the product meets my goals and financial objectives and is suitable for me. I further acknowledge that the product I am applying for may carry penalties for early withdrawal of funds.	
X Signature of Owner(s)	_____ Date _____

Licensed Producer’s Confirmation: The producer must sign and date the Annuity Consumer Profile Information form and include it with the annuity application in order for the application to be processed.

Without the signed form, the application will not be processed.

Licensed Producer’s Confirmation I acknowledge that I have obtained the above information from the Owner concerning the Owner’s financial status, tax status, investment objectives, and other information considered reasonable. It is my belief that, based on the information the Owner provided and based on all the circumstances known to me at the time the recommendation was made, the annuity being applied for, based on my recommendation, is suitable for the Owner’s insurance needs and/or financial objectives.	
X Signature of Licensed Producer	_____ Date _____



Why Mutual of Omaha

Over 50 years of Mutual of Omaha's Wild Kingdom taught us that the animal kingdom and the human kingdom have something in common ... an instinct to protect what matters most. Through insurance and financial products, we help people protect their lives, protect their families, protect their kingdoms.

MutualofOmaha.com

Annuities are Underwritten By:

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