

September, 2009



On Your Side®

Changes to your General Agent Agreement

Dear Partner in Success:

Nationwide® has identified a trend of business where annuity contracts are being sold to terminally ill annuitants. Because Nationwide annuity product death benefits are annuitant driven versus owner driven, it is easier for an investor contract owner to name a terminally ill individual as annuitant on a Nationwide contract.

A typical Stranger Owned Variable Annuity (“STOVA”) transaction involves either a non-natural entity (such as a trust or business) or a natural living individual who pays an elderly and or ill “stranger annuitant” a nominal fee for their consent (knowing or unknowing) to be the measuring life on an investment oriented annuity. These transactions are similar to Stranger Owned Life Insurance (“STOLI”), where the individual purchasing the annuity or life insurance is gambling on the death of the annuitant or insured to which there is no relationship.

As with a STOLI transaction, a stranger owned annuity investor has more to gain from the annuitant’s death than the annuitant’s continued life. The practice has potential negative consumer consequences, as it may raise the economic costs of owning an annuity for legitimate annuity owners. The purchase of a stranger owned annuity is not intended as a long term investment, which causes a negative economic impact on annuity issuers such as Nationwide due to incorrect risk assumptions, payment of commission, and payment of product features without the ability to recoup associated costs.

In an effort to reduce risk and exposure to this type of business, Nationwide has **amended the General Agent agreement** to reserve the right to chargeback commission if death of the annuitant on any annuity contract product occurs within the first year after contract issuance or if the contract is rescinded by Nationwide. The facts and circumstances of the annuitant’s death would need to indicate a sale involving a terminally ill annuitant with the intention to misrepresent the status of the annuitant’s health from point of sale in order for Nationwide to take action to charge back commissions and/or rescind.

Additional enhancements are being made to good order requirements and operational procedures which will further limit Nationwide’s exposure and risk to this type of business. Information and explanation of these changes will be provided at a future date.

Attached is the amended Exhibit A. Additionally, an update has been made to more fully describe the manner in which we compensate and provide compensation statements to our selling partners. Please note the changes in paragraphs 1, 3 and 5. Please attach this Exhibit A to your current General Agent Agreement file. This replaces the previous Exhibit A attached to your agreement.

Enclosed you will find the compensation schedule for New York (NWL) YourLife No-Lapse Guarantee UL. **Please make sure the enclosed compensation schedule is added to your General Agent Agreement.**

Please contact your Nationwide Relationship Manager or Specialist with any questions or concerns.

Sincerely,

Your Nationwide Team

FOR FIRM USE ONLY – NOT FOR USE WITH THE PUBLIC

- Not a deposit • Not FDIC or NCUSIF insured • Not guaranteed by the institution
- Not insured by any federal government agency • May lose value

Life insurance is issued by Nationwide Life Insurance Company or Nationwide Life and Annuity Insurance Company, Columbus, Ohio, subsidiary of Nationwide Financial®.

Variable annuities are issued by Nationwide Life Insurance Company, Columbus, Ohio. The general distributor is Nationwide Investment Services Corporation, member FINRA. In MI only: Nationwide Investment Svcs. Corporation. Nationwide, Nationwide Financial, the Nationwide framemark, and On Your Side are service marks of Nationwide Mutual Insurance Company.