

## **Re: Changes to NAIC Suitability Model and Effects to Third Party Suitability**

Dear

In March 2010, the National Association of Insurance commissioners (NAIC) adopted important changes to its Suitability in Annuity Transaction Model Regulation. The State of Iowa has adopted the new Suitability model effective January 1, 2011. Wisconsin has adopted the new model with an effective date of May 1, 2011 and West Virginia has adopted the new model with a likely effective date of July 1, 2011. Michigan, Ohio, Colorado, DC and South Carolina legislations have all proposed the new model, and New York has proposed modified training and suitability legislation, as well. The various states are more consistently monitoring Suitability of Fixed Indexed and Fixed Annuity business, especially given the increasing attention that regulators, consumers, marketers, and the general public are paying to these lines of business. We anticipate that the majority of states will adopt the new model or similar legislation within the next two years.

In response to these changes Midland National will require all Third Party Selling Firms/Producers who perform the suitability review internally to comply with the new NAIC model changes as of April 1, 2011. The impact of these changes requires specific information to be contained on the suitability form. The information is stated below:

- Age
- Annual income
- Financial situation and needs, including the financial resources used for the funding of the annuity
- Financial experience
- Financial objectives
- Intended use of the annuity
- Financial time horizon
- Existing assets, including investment and life insurance holdings
- Liquidity needs
- Liquid net worth
- Risk Tolerance
- Tax status
- Has the consumer had another annuity exchange or replacement and, in particular, an exchange or replacement within the preceding 36 months? If so, please provide explanation.

Our records indicate that your suitability form submitted to us previously complies with the current NAIC Suitability Model Regulation, but not necessarily with the new model criteria stated on page 1. We are asking at this time that you review your current suitability form to ensure that it contains the required suitability information. This is important to us so we can comply with the new NAIC Suitability Model Regulation

Please forward your updated suitability forms to us no later than March 1, 2011. Upon receipt of your form, we will forward it to the suitability department for review. If we have not reviewed and signed off on your form by April 1, 2011 we will change the rules of engagement to Midland National suitability review. All future annuity applications will require that the Midland National suitability form be completed and submitted with the application paperwork.

Thank you for your business and attention to this matter. Please feel free to contact me at 515-440-5521 if you have any questions. I look forward to hearing from you shortly.

Sincerely,

A handwritten signature in cursive script, appearing to read "Stuart Bergoine".

Stuart Bergoine  
AVP Bank Distribution