

2013 AG38 CHANGES

WHAT IS AG38?

AG38 stands for Actuarial Guideline 38. It was established by the National Association of Insurance Commissioners to define the statutory reserve requirements for universal life products with secondary guarantees. Secondary guarantees are generally minimum premium requirements that will keep the policy in force, even if the cash surrender value (CSV) falls below zero. So, the CSV is the primary guarantee, and the minimum premium requirement is the secondary guarantee.

WHY IS AG38 BEING MODIFIED?

Some carriers have developed products with designs that regulators feel violate the intent or spirit of the AG38 requirements. These designs develop lower statutory reserves than AG38 was intended to produce. The AG38 changes that go into effect on January 1, 2013, include design and charge structure requirements intended to remedy this.

WHAT IS THE IMPACT OF AG38 FOR NATIONWIDE[®] LIFE INSURANCE PRODUCTS?

Thanks to our long history of responsible product design and pricing, Nationwide is able to keep product changes to a minimum on our universal life products with secondary guarantees. We deliberately avoided product designs that are subject of scrutiny and the target of AG38 changes. Even so, because of the new requirements, as well as a drop in the valuation interest rate, we need to make some relatively minor changes to two of our products.

Nationwide YourLife[®] No-Lapse Guarantee UL

- Prices will increase in some cases, but many cases will have lower prices
 - Most price increases will be in single-pay premiums
 - Most price reductions will be in level-pay premiums
- Changes will vary for different age, risk class and face amount combinations

Nationwide YourLife[®] No-Lapse Guarantee SUL II

- Pricing changes have not yet been finalized; changes will be communicated as soon as available

Please note that policies issued after December 31, 2012, will be subject to any changes implemented January 1, 2013.

WHAT IS THE IMPACT OF AG38 CHANGES ON THE INDUSTRY?

Several secondary guarantee market share leaders have already increased prices or announced price increases. AG38 changes will force some companies to restructure their product designs in order to continue to offer a competitive product without incurring significant capital strain. Some companies will need to file changes with state insurance departments or the interstate compact, which may result in delays or even temporary departures from the market.

YOU CAN CONTINUE TO HAVE CONFIDENCE IN NATIONWIDE.

We've been in business for over 80 years, and our Midwestern roots and conservative heritage have helped us remain a strong, stable and financially sound company. With only minor pricing changes to our secondary guarantee products, you can continue to offer the benefits of Nationwide YourLife No-Lapse Guarantee UL and Nationwide YourLife No-Lapse Guarantee SUL II to your clients.

Here's where you can find more information.

- **AG38 changes:** http://www.naic.org/cipr_topics/topic_actuarial_guideline_xxxviii_ag_38.htm
- **Nationwide's reserves and ratings:** NFM-7072AO, Strong, stable and financially sound
- **Questions:**
 - Nationwide Sales Desk: 1-800-321-6064
 - Nationwide Financial Network®: 1-877-223-0795
 - Brokerage General Agents: 1-888-767-7373



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