Annuity Suitability – Elements of an Effective Internal Review Program

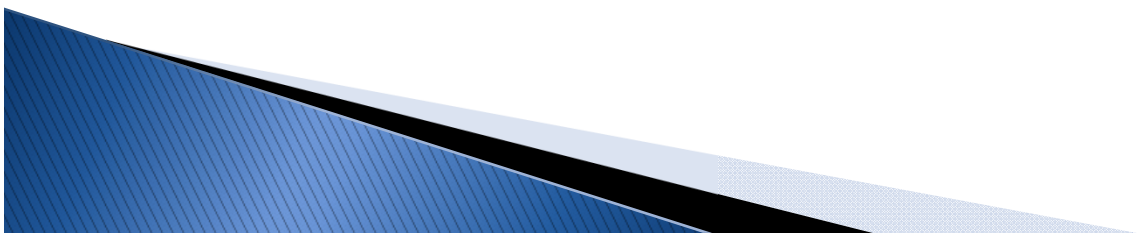
Western and Southern Financial Group

September 13, 2012

Annuity Suitability – Elements of an Effective Internal Review Program

Agenda

- Program Development
- Key Elements of Current Program
- Program Modification and Evolution Since 2010
- Evaluating Program Effectiveness



Annuity Suitability – Elements of an Effective Internal Review Program

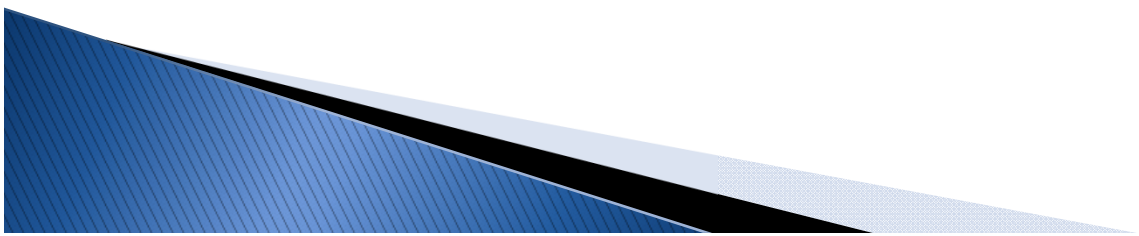
Suitability Program Development

- 2006 Model
  - Exception Based
  - Primarily Reviewed in New Business
  - Triggers Indicated Heightened Review
    - Age
    - Income
    - Percentage of Net Worth Invested
  - Decentralized Approach
  - Burden of Suitability Determination on Agent

Annuity Suitability – Elements of an Effective Internal Review Program

Suitability Program Development

- 2010 Model
  - Centralized Program in Compliance
  - Increased Volume of Reviews
  - Expanded Items Reviewed and Considered
  - Reasonable Basis Requirement



Annuity Suitability – Elements of an Effective Internal Review Program

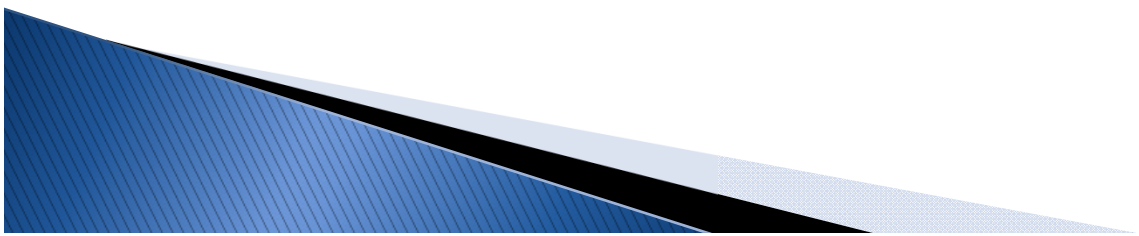
Key Program Elements

- Compliance With Training Requirements
  - Product Specific
    - Primarily Web-based
    - Push Training to Producers
    - Paper-based Available
  - One-Time Four Hour Course
    - Verification of Approved Course
    - Reciprocity

Annuity Suitability – Elements of an Effective Internal Review Program

Key Program Elements

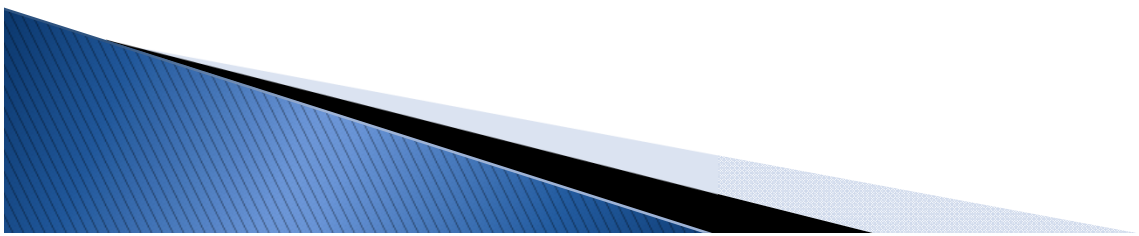
- Suitability Review
  - Good Order Review
  - Reasonable Basis Requirement
    - Analysis of Customer's Suitability Information
    - Review of Transaction as a Whole
  - Suitability Determination
  - Database of Data Collected



Annuity Suitability – Elements of an Effective Internal Review Program

Key Program Elements

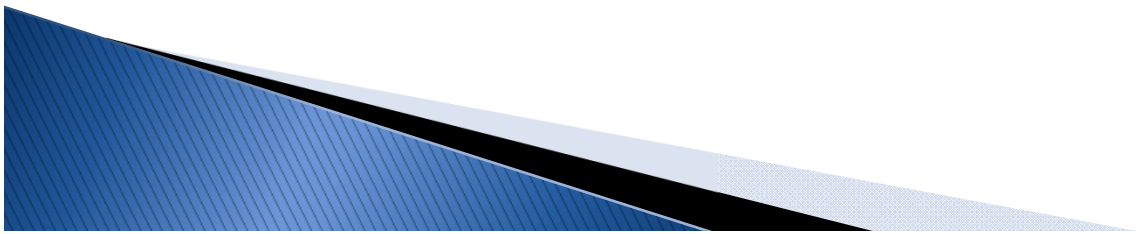
- Monitoring Third Parties
  - Risk Based
    - Volume
    - Trends
  - Complaint Based
  - Random



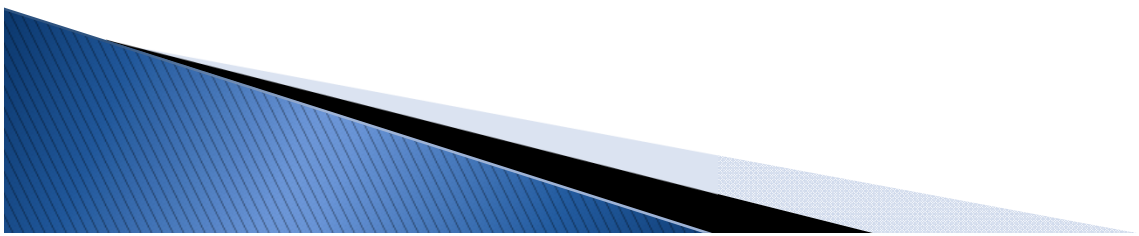
Annuity Suitability – Elements of an Effective Internal Review Program

Program Modifications and Evolution

- System Development
  - Suitability Review
  - Training
- Data Collection
  - Analysis and Trending
  - Reporting
- Replacements



Annuity Suitability – Elements of an Effective Internal Review Program

Program Effectiveness

- Internal Review
  - Participation
  - Client Distribution
  - Trends
- Third Party Review
  - Audits of Third Party Firms
  - Detection of Potentially Unsuitable Sales