



Making the switch

Converting term to permanent coverage

Term insurance provides valuable, basic protection, but it has limitations. The premium increases significantly after the coverage period. Over time, it can be very expensive.

This can result in a loss of coverage when your clients may need it most. What better service could you provide than to help them maintain their coverage by converting from term to permanent insurance?

TABLE OF CONTENTS

[Why convert term to permanent insurance? 2](#)

[Converting Nationwide® term policies to permanent coverage 3](#)

Eligibility 4

Joint and split conversions 4

Conversion credits 5

Things to keep in mind 5

[Term conversion sales process 6](#)

Filling out applications 7

Other considerations 7

Submitting paperwork 8

Final checklist before mailing 8

Why convert term to permanent insurance?

As your clients get older, they'll accumulate more belongings and replace some temporary needs with more permanent ones. They'll need your help to keep up with those changes. As you complete a review of their policies, you may find it makes sense to convert their term coverage to permanent insurance. To help you explain the benefits of this type of switch, here's a quick chart illustrating the differences between the two.

	Term	Permanent
Cost	Low initial cost Potentially high cost for long-term coverage	Higher initial cost Long-term net cost may be similar to or lower than term coverage
Length of protection	Temporary Specific length depends on the term chosen	Permanent until at least age 100, provided clients maintain premium payments Some newer products extend beyond age 100
Flexibility	Depending upon contract/rider, may be convertible to permanent insurance	May provide cash value that can be used for education, retirement or other needs before death through loans and withdrawals ¹
Tax benefits	Death benefit is income tax free	Death benefit is income tax free Tax-deferred growth Tax-advantaged access to cash values for non-MEC ¹ policies

¹ We're assuming the permanent policy actually qualifies as life insurance according to Internal Revenue Code (IRC) Section 7702 and isn't a modified endowment contract (MEC) as defined in IRC Section 7702A. If it meets all of the requirements of Section 7702A, most of the distributions from the policy will be taxed on a first-in/first-out basis. But if it's a MEC, any distributions your client takes from it will generally be taxable — and subject to a 10% penalty tax if he or she is 59½ or younger.

As you review this chart, remember that if your client takes loans or partial withdrawals, the death benefit payable to the beneficiaries will be reduced. If the contract were to lapse with a loan outstanding, the loan amount will be treated as a distribution and all or a portion may be subject to income tax. As well, surrender charges may apply to the partial withdrawals. Also remember that Nationwide® and its representatives don't give legal or tax advice, so it's a good idea for your clients to talk to their legal or tax professionals with any specific questions.

Converting Nationwide® term policies to permanent coverage

Term policies and riders offer conversion privileges. This guarantees that clients may continue their coverage with permanent insurance. An application will need to be submitted, but no evidence of insurability is required.

The converted policy premium is based on the insured's attained age, and the new policy will be issued at the risk class of the original term policy or rider. If the original policy's rate class is not available on the new policy, the insured will receive the next best rate class offered in the new product.

Policy	Eligibility window to convert to Nationwide® permanent insurance
Active products	
Nationwide Guaranteed Level Term 10	First 10 policy years up to age 65
Nationwide Guaranteed Level Term 15	First 15 policy years up to age 65
Nationwide Guaranteed Level Term 20	First 20 policy years up to age 65
Nationwide Guaranteed Level Term 30	First 20 policy years up to age 65
Inactive products	
Nationwide YourLife® Guaranteed Level Term 10	First 10 policy years up to age 65
Nationwide YourLife Guaranteed Level Term 15	First 15 policy years up to age 65
Nationwide YourLife Guaranteed Level Term 20	First 20 policy years up to age 65
Nationwide YourLife Guaranteed Level Term 30	First 20 policy years up to age 65
Nationwide YourLife 10-Year Term II	First 8 policy years up to age 65
Nationwide YourLife 15-Year Term II	First 12 policy years up to age 65
Nationwide YourLife 20-Year Term II	First 15 policy years up to age 65
Nationwide YourLife 30-Year Term II	First 20 policy years up to age 65
Nationwide Guaranteed Level Term 10	First 8 policy years up to age 75
Nationwide Guaranteed Level Term 20	First 15 policy years up to age 75
Nationwide Guaranteed Level Term 30	First 20 policy years up to age 75
Guaranteed Term 10	First 5 policy years up to age 75
Guaranteed Term 20	First 10 policy years up to age 75
Guaranteed Term 30	First 15 policy years up to age 75
Pro-Term 1	Before age 75
Pro-Term 10	During first 8 policy years up to age 75
Pro-Term 20	During first 17 policy years up to age 75
ART 70	Before age 65
ART 80	Before age 75
10-Year ART	During first 8 policy years up to age 65
Decreasing Term	More than 3 years before expiration up to age 65
Joint Decreasing Term	More than 3 years before expiration up to age 65

Eligibility

To help make this easier for you, we've included answers to the questions we're asked most often about term conversions:

- Term policies and riders issued after January 1, 1983, are eligible for term conversion privileges if within the conversion period
- Your clients may convert to any Nationwide permanent insurance product currently being sold without underwriting if they are still in the conversion period indicated in the contract
- Nationwide CareMatters® II, Nationwide Survivorship Indexed Universal Life and policies with an Extended No-Lapse Guarantee to age less than 90 are ineligible for term conversions
- Spouse riders are eligible for conversion to permanent life insurance products; conversion rules for this rider will vary based upon the product
- Eligibility requirements are subject to change

Joint and split conversions

Your clients can convert a joint decreasing term policy for only one insured or split the conversion. Here's how:

ONE insured	If converting a policy for just one insured, they may convert 100% of the commuted value and use the entire term conversion credit. Be careful to note that the remaining insured from the joint policy will no longer have coverage in this case.	BOTH insureds	If converting a policy for both insureds, they may convert 75% of the commuted value for each insured, and we'll split the conversion credit between them.
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Your clients can also split a term policy or rider so only a portion of it is converted to permanent insurance, while keeping the balance in force as term. Keep in mind the remaining term portion cannot fall below the minimum issue limits, and the new premium per thousand dollars of coverage may now be more expensive.

Conversion credits

Your clients may also be eligible for a credit to apply to the new permanent policy. Term policies and riders may be eligible if they are within the allowed conversion period. The original term contracts have details on this, but we also have guidelines below.

For conversions in the first year, we cancel the original term policy and transfer the entire premium paid to the new permanent policy.

For conversions after the first year, policyholders may receive a conversion credit based on the age of the term policy. The credit will equal the lesser of these amounts:

- Earned premium paid in the 12 months prior to conversion
- Annual premium required on the term policy

We apply the conversion credit in the first policy month. Individual contract provisions, if applicable, will apply. For Whole Life and Universal Life, we'll apply the conversion credit toward the premium, which may help with your clients' cash values indirectly.

Note: Not all term products offer conversion credits. Contact Nationwide for more information.

Things to keep in mind regarding conversion credits

- The credit can be applied only to the permanent policy; there are no refunds of excess credit
- For decreasing term and joint decreasing term issued after May 1987, the credit is the greater of the conversion credit described above or the conversion credit described in the contract
- For partial conversions, the credit will be reduced by the same percentage as the face amount; for example, a \$200,000 term policy with a \$400 premium converting to a \$100,000 whole life policy would get a \$200 credit; partial conversions cannot leave the original term policy below the minimum issue limit for that policy type
- The conversion credit might not cover the entire modal premium for the permanent policy; the client might need to add money to it

Term conversion sales process

Step 1: Request information

- Nationwide can provide you with a list of your policyholders within the conversion period; please contact your distribution partner

Step 2: Invite your clients to a free insurance checkup

- Use the prospecting postcard (NFM-3208AO) inviting clients to a free insurance checkup; you may also use the prospecting letters available from your wholesaler
 - When you call your clients to schedule an appointment, make sure they have time to talk; if it's not a good time, set a date and time that might be more convenient
 - An easy way to start the conversation is to confirm that your clients received the prospecting postcard or letter; remind them that it discussed the need for life insurance and the privilege to convert their term policy to permanent coverage
 - When scheduling an appointment, tell your clients you want to meet to discuss their family's financial goals and how you might be able to help with life insurance
 - Set a date on your calendar a day or two before each meeting to call and confirm

Step 3: During the appointment, discuss your clients' needs and conversion privileges

- Use the 1-page [Life Insurance Needs](#) to help assess the client's insurance need and how much of the total life insurance need is temporary versus long-term; as personal situations change (e.g., marriage, birth of a child or job promotion), there may be a need for permanent insurance
- Review the benefits of permanent insurance that help meet long-term coverage needs and the opportunity to convert term insurance

Step 4: Close the sale

- Be sure to use the new state-specific Term Conversion form; call Policyholder Services at 1-800-543-3747 to get the right form via email; the form can also be accessed on [NationwideFinancial.com](#) through FormsPipe (iPipeline)

Filling out applications

You don't need to fill out medical questions on the application when converting Nationwide term policies to permanent coverage during the conversion period. Once you've completed the rest of the application, remember to get the proper signatures.

Individuals:

- If you're converting only the primary insured's coverage and the insured is also the policyowner, only the insured must sign the application
- If the converted policy/rider has an owner other than the insured, both the owner and insured must sign

Company/corporation:

If a company/corporation owns the policy, an officer of the company/corporation must sign.

Assignment:

- **Collateral assignment:** An officer of the bank must sign
- **Absolute assignment:** The assignee must sign

Joint decreasing term:

If converting a joint decreasing term policy, both insureds must sign (even if it's converting coverage of only one of the insureds).

Other than primary insured:

If converting coverage for someone other than the primary insured (e.g., spouse or child under a rider), the owner of the original policy and the insured and owner (if different than the insured) of the new policy must sign.

Other considerations

- The premium for the permanent policy is based on the insured's attained age
- The risk class of the permanent policy is based on the original policy's risk class
- Term conversions of \$10,000 or more require an NAIC illustration; please submit all pages of the illustration, including the signature page, the premium summary page and the new state-specific Term Conversion Application
- If you are converting to a permanent policy and adding the LTC Rider, the client needs to complete the medical questions and submit the LTC supplement form

Submitting paperwork

For conversions to fixed life (from term to whole life or universal life), send all paperwork — along with the check for the modal premium and any other application requirements — to:

Regular mail

Nationwide Financial
P.O. Box 182835
Columbus, OH 43218-2835

Electronic submission

lifeapps@nationwide.com

Final checklist before mailing

To help make your conversion go as smoothly as possible, use this checklist to review everything one more time before sending it to us:

- Obtain all required signatures
- Include the entire signed illustration
- If you are applying for the LTC Rider with your conversion, complete the LTC Supplement and the Part B Medical Questions on the Term Conversion Application
- If paying monthly via electronic funds transfer, submit a voided check and include a minimum of 2 months' premium (conversions cannot be issued COD)



We're proud to support you and your clients with extraordinary care.

Contact us today with any questions.

Nationwide Life Insurance Solutions Center:

1-800-321-6064

Brokerage General Agents (BGAs) Solutions Center:

1-888-767-7373

As your clients' personal situations change (e.g., marriage, birth of a child or job promotion), so will their life insurance needs. Take care to ensure that these products are appropriate for their long-term life insurance needs. Help them weigh any associated costs before they purchase. Remember that the fees and charges include costs of insurance, which vary with characteristics of the insured such as sex, health, age and tobacco status; and additional charges for riders that customize a policy to fit your clients' needs.



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