

## **NATIONAL FINANCIAL PARTNERS CORP. GUIDELINES FOR SELECTION OF DIRECTORS**

Upon the recommendation of the Nominating and Corporate Governance Committee (the "Committee"), the Board of Directors (the "Board") of National Financial Partners Corp. ("NFP" or the "Company") has adopted the following guidelines establishing procedures to be followed in identifying and evaluating candidates for nomination to the Board, including evaluation of the independence of such candidates under standards set by the New York Stock Exchange (the "NYSE") and under applicable law. The guidelines are intended to reflect the Company's commitment to the highest standards of corporate governance, and to comply with NYSE and other legal requirements. The Committee will periodically (at least annually) review these guidelines and propose modifications to the Board as appropriate.

### **I. Board Composition**

The members of the Board should collectively possess a broad range of skills, expertise, industry and other knowledge, and business and other experience so as to enhance the Board's ability to manage and direct the affairs and business of the Company. A majority of the Board shall consist of directors whom the Board has determined meet the criteria for independence as established by the Board in accordance with NYSE listing standards and any other applicable laws, rules and regulations regarding independence in effect from time to time and the Board's business judgment (an "Independent Director").

### **II. Identifying Potential Candidates**

The Committee shall conduct searches for and identify qualified nominees to serve on the Board pursuant to the criteria set forth herein, in the Company's Corporate Governance Guidelines and in the charter of the Committee. The Committee, in identifying potential candidates, may also rely on any strategies or techniques that it deems appropriate and helpful and that are not inconsistent with the criteria set forth herein, in the Corporate Governance Guidelines or in the Committee's charter.

The Committee may accept suggestions from management of the Company, members of the Board, and employees as to potential candidates for nomination.

The Committee may retain a search firm to be used to identify candidates. The Committee will have sole responsibility for the retention and termination of such firm, including sole authority to approve the search firm's fees and other retention terms after consultation with management of the Company. Any such fees shall be borne by the Company.

The Committee will also consider stockholders' recommendations for nominees for membership on the Board, provided a stockholder making such a recommendation (a) is a stockholder of record (i) on the date of the giving of the notice referenced below, (ii)

on the record date for the determination of stockholders entitled to notice of and to vote at the applicable stockholders meeting and (iii) at the time of such stockholders meeting, (b) meets the minimum eligibility requirements specified in Rule 14a-8 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and (c) provides timely notice of such recommendation in proper written form to the Secretary of the Company in accordance with the procedures set forth in the Company’s Amended and Restated By-Laws. The Committee shall evaluate candidates proposed by eligible stockholders in the same manner as other candidates suggested or recommended to the Committee.

In connection with the nomination of any incumbent director for reelection to the Board, the Committee and the Board shall review the relationships that such director has with the Company, as specified in Section IV hereof. Additionally, the Committee will conduct an annual evaluation of each director’s performance and assess the suitability of such director remaining on the Board. The Nominating and Corporate Governance Committee and the Board shall consider the results of the evaluations in determining whether to nominate the director for reelection.

### **III. Selection of Directors**

***Nominations and Appointments.*** The Committee shall be responsible for identifying and recommending to the Board qualified candidates for Board membership, based primarily on the following articulable criteria:

- Judgment, character, expertise, skills and knowledge useful to the oversight of the Company’s business;
- Reputation, both personal and professional, consistent with the Company’s image and reputation;
- Diversity of viewpoints, backgrounds, experiences and other demographics;
- Business or other relevant experience; and
- Ability and willingness to devote the required amount of time to the Company’s affairs, including preparing for and attending meetings of the Board and its committees;
- Independence in their thought and judgment and commitment to represent the long-term interests of the Company’s stockholders; and
- The extent to which the interplay of the candidate’s expertise, qualifications, skills, knowledge and experience with that of other Board members will build a Board that is effective, diverse, collegial and responsive to the needs of the Company.

The Committee may also rely on any other factors that it deems appropriate and that are not inconsistent with the criteria set forth in the Corporate Governance Guidelines or any factors set forth in the charter of the Committee. Members of the Committee shall discuss and evaluate possible candidates in detail prior to recommending them to the Board.

The Committee shall also be responsible for initially assessing whether a candidate would be an Independent Director. The Committee shall follow prudent practices prior to

nomination, including, where appropriate, practices such as background checks and interviews of the potential nominee with Board members and executive management. The Board, taking into consideration the recommendations of the Committee, shall select the nominees for election to the Board by the stockholders and appoint directors to the Board to fill vacancies, with primary emphasis on the criteria set forth above, and shall also make the determination as to whether a nominee or appointee would be an Independent Director.

**Invitations.** The Chairman of the Committee and the Chairman of the Board shall extend an invitation to the potential director nominee to stand for election to the Board or join the Board, as applicable.

#### **IV. Director Independence**

The term “independent” is defined in accordance with the NYSE listing requirements and the Board’s business judgment. A director is deemed to be independent if he or she does not have a material relationship with NFP or any of its consolidated subsidiaries (collectively, the “NFP Consolidated Group”) (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company) or with any executive management member of the NFP Consolidated Group. In determining the materiality of a relationship and the director’s independence, the Board and the Committee shall be guided by the following independence standards:

A director shall be deemed to have a material relationship with the NFP Consolidated Group and thus shall not be deemed independent if:

- The director is or has been employed by the NFP Consolidated Group within the last three years;
- An immediate family member (defined below) of the director is or has been employed by the NFP Consolidated Group as an executive officer within the last three years;
- The director is a current partner or a current employee of the NFP Consolidated Group’s internal or external auditor, or was within the last three years (but no longer is) a partner or employee of such a firm and personally worked on the NFP Consolidated Group’s audit within that time;
- An immediate family member of the director is a current partner of the NFP Consolidated Group’s internal or external auditor; or is a current employee of such a firm and personally works on the NFP Consolidated Group’s audit; or was within the last three years (but no longer is) a partner or employee of such a firm and personally worked on the NFP Consolidated Group’s audit within that time;
- The director or an immediate family member of the director is, or has been within the past three years, employed as an executive officer of another company where

any of the present executive officers of the NFP Consolidated Group at the same time serves or served on that other company's compensation committee;

- The director has received during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the NFP Consolidated Group, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service) and compensation received by a director for former service as an interim Chairman or CEO or other executive officer;
- An immediate family member of the director has received during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the NFP Consolidated Group, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service) and compensation received for service as an employee (other than an executive officer) of the NFP Consolidated Group;
- The director either: (i) is a current employee of, or (ii) controls, directly or indirectly, a majority of the equity interests in, a company that has made payments to, or received payments from, the NFP Consolidated Group, for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues; provided that, contributions to tax-exempt organizations shall not be considered payments, and the three year look-back applies solely to the financial relationship between the NFP Consolidated Group and the director's current employer and the Committee and the Board need not consider former employment of the director; or
- An immediate family member of the director either: (i) is a current executive officer of, or (ii) controls, directly or indirectly, a majority of the equity interests in, a company that has made payments to, or received payments from, the NFP Consolidated Group for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues; provided that, contributions to tax-exempt organizations shall not be considered payments, and the three year look-back applies solely to the financial relationship between the NFP Consolidated Group and the immediate family member's current employer and the Committee and the Board need not consider former employment of the immediate family member.

The following relationships shall be deemed immaterial and shall not disqualify the director from being independent:

- A director who serves as an interim Chairman, interim CEO or other interim executive officer of NFP shall not be disqualified from being considered independent following that employment;

- A material relationship that is based on having an immediate family member of the director serving as an officer of the NFP Consolidated Group shall be deemed immaterial upon a legal separation, divorce, death or incapacitation of that immediate family member; or
- A director's affiliation (through employment or otherwise) with an entity that owns less than 15% of NFP's common stock.

For the purposes of these independence standards guidelines, the terms:

- "affiliate" means any corporation or other entity that controls, is controlled by or is under common control with NFP, as evidenced by the power to elect a majority of the Board or comparable governing body of such entity.
- "immediate family member" includes a person's spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law, and anyone (other than domestic employees) who shares such person's home.

For any relationships not covered above, the determination of whether these relationships are material or not and whether the director would be independent or not, shall be made by the Board.

In making determinations of the materiality of relationships and the director's independence, the Board and the Committee shall examine all factors that may appear to affect independence, including commercial, industrial, banking, legal, accounting, charitable and familial relationships.

NFP and its affiliates shall not make any personal loans or extensions of credit to directors or executive officers. All independent directors shall only receive directors' fees as their compensation for Board and/or Board committee service. The payment of consulting, advisory or other compensatory fees to an independent director from NFP or one of its affiliates during such director's tenure is prohibited and shall negate the director's independence.

Each director has an affirmative obligation to inform the Board of any material changes in his or her circumstances or relationships that may impact his or her designation by the Board as "independent."

## **V. Additional Qualifications for Audit Committee Members**

In addition to the foregoing provisions, members of the Audit Committee must satisfy additional requirements to be considered independent as provided for by the Securities and Exchange Commission (the "SEC") rules. Under the SEC rules, in order to be considered independent, a member of the Audit Committee may not, other than in

his or her capacity as a member of the Audit Committee, the Board or any other Board committee:

- Accept directly or indirectly any consulting, advisory, or other compensatory fee from NFP or any of its subsidiaries; provided that, unless the rules of the NYSE provide otherwise, compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with NFP (provided that such compensation is not contingent in any way on continued service); or
- Be an affiliated person of NFP or any of its subsidiaries.

For the purposes of the foregoing, the following terms have the meanings set forth below:

- 1. “affiliate” of, or a person “affiliated” with, a specified person, means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.
- 2. (A) A person will be deemed not to be in control of a specified person for purposes of this definition if the person:
  - (i) Is not the beneficial owner, directly or indirectly, of more than 10% of any class of voting equity securities of the specified person; and
  - (ii) Is not an executive officer of the specified person.
- (B) Paragraph 2(A) of this definition only creates a safe harbor position that a person does not control a specified person. The existence of the safe harbor does not create a presumption in any way that a person exceeding the ownership requirement in paragraph 2(A)(i) of this section controls or is otherwise an affiliate of a specified person.
- (C) The following will be deemed to be affiliates:
  - (i) An executive officer of an affiliate;
  - (ii) A director who also is an employee of an affiliate;
  - (iii) A general partner of an affiliate; and
  - (iv) A managing member of an affiliate.
- “control” (including “controlling”, “controlled by” and under “common control with”) means the possession, direct or indirect, of the power to direct or cause the

direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise.

- “executive officer” when used with reference to NFP, means its president, any vice president of NFP in charge of a principal business unit, division or function, any other officer who performs a policy making function or any other person who performs similar policy making functions for NFP. Executive officers of NFP’s subsidiaries may be deemed executive officers of NFP if they perform such policy making functions for NFP.
- “indirect acceptance” by a member of the Audit Committee of any consulting, advisory or other compensatory fee includes acceptance of such a fee by a spouse, a minor child or stepchild or a child or stepchild sharing a home with the member or by an entity in which such member is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to NFP or any of its subsidiaries.

In addition, the NYSE requires that each member of the Company’s Audit Committee be “financially literate,” or become so within a reasonable period after being appointed to the Audit Committee. The Committee and the Board shall interpret the financial literacy qualification in its business judgment.

The NYSE also requires that at least one member of the Audit Committee have “accounting or related financial management expertise.” The Committee and the Board shall determine whether the accounting or related financial management expertise qualification is met using its business judgment. Further, the Committee and the Board may presume that any member who has been deemed an “audit committee financial expert” (as defined below) has accounting or related financial management expertise.

The SEC also requires the Company to determine whether an “audit committee financial expert” serves on the Company’s Audit Committee. To qualify, a director must possess each of five attributes and must have attained the attributes through one or more of four means.

An “audit committee financial expert” means a director who has the following attributes:

- An understanding of GAAP and financial statements;
- The ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- Experience preparing, auditing, analyzing or evaluating financial statements that

present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more persons engaged in such activities;

- An understanding of internal controls over financial reporting; and
- An understanding of audit committee functions.

A director shall have acquired such attributes through one or more of the following means:

- Through education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or through experience in one or more positions that involve performance of similar functions;
- Through experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
- Through experience actively overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
- Through other relevant experience.

## **VI. Additional Qualifications for Compensation Committee Members**

Each member of the Company's Compensation Committee is required to be an "outside director" under Section 162(m) of the Internal Revenue Code and a "non-employee director" under Rule 16b-3 promulgated under the Exchange Act, and shall satisfy any other necessary standards of independence under the federal securities and tax laws and NYSE rules.

Pursuant to the regulations under Section 162(m), "outside directors" are generally considered to be directors who (i) are not current employees of the NFP Consolidated Group, (ii) are not former employees of the NFP Consolidated Group who receive compensation for prior services (other than benefits under a tax-qualified retirement plan) during the taxable year, (iii) are not former officers of the NFP Consolidated Group and (iv) do not receive any direct or indirect remuneration from the NFP Consolidated Group (other than as a director), including any payment in exchange for goods or services provided to the Company or its affiliates. A director will be viewed as having received remuneration for services other than as a director, and thus will not constitute an "outside director," if:

- any payment for non-director services is made by the NFP Consolidated Group to

the director or an entity in which the director has a beneficial ownership interest of greater than 50%;

- payments for non-director services during the Company's preceding taxable year were made by the NFP Consolidated Group to an entity by which the director is employed (including self-employed) and such payments exceeded (i) 5% of the entity's gross revenue for its taxable year ending with or within the Company's taxable year, or (ii) \$60,000 and were paid for personal services to an entity by which the director is employed (including self-employed); or
- payment for non-director services during the Company's preceding taxable year by the NFP Consolidated Group to an entity in which the director has a beneficial ownership interest of at least 5% but not more than 50% and such payments exceeded (i) 5% of the entity's gross revenue for its taxable year ending with or within the Company's taxable year, or (ii) \$60,000.

Pursuant to Rule 16b-3 of the Exchange Act, a "non-employee director" is generally a director who:

- is not currently an officer (as defined in Rule 16a-1(f) of the Exchange Act) of, or otherwise employed by, the NFP Consolidated Group;
- does not receive compensation, either directly or indirectly, from the NFP Consolidated Group, for services rendered as a consultant or in any capacity other than as a director, except for an amount that does not exceed the dollar amount for which disclosure would be required pursuant to Item 404(a) of Regulation S-K; and
- does not possess an interest in any other transaction for which disclosure would be required pursuant to Item 404(a) of Regulation S-K.

## **VII. Alignment of Interests**

The Board has adopted stock ownership and retention guidelines that are applicable to all directors. The guidelines applicable to the Board's Chairman and the Company's Chief Executive Officer are set forth in Addendum I to the Company's Corporate Governance Guidelines, and the guidelines applicable to the Board's non-management directors are set forth in Addendum II to the Company's Corporate Governance Guidelines.