

# FlexLife and PeakLife IUL: Q&A

## What you need to know about FlexLife Indexed Universal Life.

### Q/A What are the Face Amount requirements?

FlexLife has a minimum Face Amount of \$50,000, except for pension cases, which is \$25,000 in most situations.

### Q/A What are the Face Amount Bands?

- Band 1: Minimum Face Amount to \$250,000.00; and
- Band 2: \$250,000.01 to \$999,999.99; and
- Band 3: \$1,000,000.00 to \$1,999,999.99; and
- Band 4: \$2,000,000.00 and above

### Q/A What are FlexLife's criteria for EZ Underwriting?

EZ Underwriting is offered based on Face Amount and issue age:

Face Amount	Issue Age
\$2 million or less	18 – 50
\$1 million or less	51 – 60
\$250,000 or less	61 – 65

### Q/A Is juvenile coverage available?

Yes. Juveniles (issue ages 0 – 17) are issued in the Standard Non-Tobacco rate class. For Band 1, known smokers will be issued in the Express Standard Non-Tobacco 1 rate class. For Face Amounts \$2,000,001 and above, known smokers get a 200% rating.

### Q/A How does the Interest Bonus work?

The Interest Bonus offers more upside potential with bonus eligibility, starting in the 6th policy year in states where approved.<sup>1</sup>

- The Interest Bonus will be at least 0.35%. The Interest Bonus may vary by strategy.
- The Interest Bonus will be applied to all segments except the standard loan collateral account.

### Q/A What else is notable about FlexLife?

- The guaranteed interest rate is 2.0%.
- The issue age for the Death Benefit Protection Rider is 75.

Products issued by

**National Life Insurance Company® | Life Insurance Company of the Southwest®**

1. In New York, the Interest Bonus of 0.35% will be credited annually on policy anniversary starting in year 6.

National Life Group® is a trade name of National Life Insurance Company (NLIC), Montpelier, VT, Life Insurance Company of the Southwest (LSW), Addison, TX and their affiliates. Each company of National Life Group is solely responsible for its own financial condition and contractual obligations. Life Insurance Company of the Southwest is not an authorized insurer in New York and does not conduct insurance business in New York.

No bank or credit union guarantee | Not a deposit | Not FDIC/NCUA insured | May lose value | Not insured by any federal or state government agency

Guarantees are dependent upon the claims-paying ability of the issuing company.

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# What you need to know about PeakLife Indexed Universal Life.

## Q/A What are the Face Amount requirements?

PeakLife has a minimum Face Amount of \$1 million. However, in the Multi-Life Market, PeakLife is available at lower Face Amounts.

## Q/A What are the Face Amount Bands?

- Band 1: \$1,000,000.00 to \$4,999,999.99
- Band 2: \$5,000,000.00 and above

## Q/A What are PeakLife's criteria for EZ Underwriting?

EZ Underwriting is based on Face Amount and issue age:

Face Amount	Issue Age
\$2 million or less	18 – 50
\$1 million or less	51 – 60

## Q/A Is juvenile coverage available?

Not at this time, but juvenile coverage is offered on FlexLife.

## Q/A Can clients change their Enhancer options after we issue the policy?

Policyholders may elect a different Enhancer design (Enhancer, Enhancer Plus, Enhancer Max) at any time. The currently selected Enhancer design and its corresponding charge (if applicable), interest bonus percentage, and maximum bonus will apply to all new Indexed Segments created after the election change.

Any Indexed Segments created prior to the election change will retain the previous Enhancer design selected at the time the Indexed Segment was created. Recall, the Enhancer charge is taken at the beginning of the Indexed Term and the associated interest bonus and maximum bonus of the previous Enhancer design will apply when the Index Earnings are calculated at the end of the one-year Indexed Term.

Changing Enhancer designs works the same way as when policyholders change indexed strategy allocations.

## Q/A How does the Accumulated Value Enhancement (AVE) work?

PeakLife now gives your clients more choice. In states where approved, three Enhancer options are available to maximize upside potential based on how the policy owner feels about the market's direction.

If the Enhancer option is selected at issue, the PeakLife policy will come with the base level Enhancer at no extra cost. Enhancer is ideal for a person who is buying PeakLife for its protection and cash value accumulation potential but is not interested in paying for any additional index crediting potential. With Enhancer, if the index strategy earns interest, Enhancer provides a small bonus. For crediting periods when the index declines, no bonus is credited.

Enhancer Plus is the next step up the cost/reward ladder. Enhancer Plus is ideal for a person who has a moderately positive outlook on the index and is willing to take a small cost in order to increase their upside potential. The cost is deducted every year, but the bonus is only credited if the index strategy earns interest.

Enhancer Max is designed for a person with an aggressive outlook on the index who wants the greatest potential bonus in exchange for the highest cost. As with Enhancer Plus, the cost is deducted every year, but the bonus is only credited if the index strategy earns interest.

For additional flexibility, clients can choose to change to Enhancer Plus or Enhancer Max and back again as best suits their situations.

Enhancer, Enhancer Plus and Enhancer Max only credit a bonus in crediting periods where interest is credited to that strategy, beginning in year 2\*. If no indexed interest is credited for that period, no bonus will be credited. The charge for Enhancer Plus and Enhancer Max begins in year 1 and occurs for every crediting period regardless of whether interest is credited.

For current rates, please refer to the **PeakLife Enhancer Bonus Rate Sheet**. Current rates will be determined by the Company and may change from time to time based on expectations of future anticipated or emerging experience. While the current rates are not guaranteed, they will never be worse than guaranteed rates. The Interest Bonus Percentages and the Maximum Interest Bonus percentages for the Enhancer bonus levels will never be lower than the guaranteed rates. The Interest Bonus Charge percentage for the Enhancer bonus levels will never be higher than the guaranteed rates.

\*In New York and any states not approving the above enhancer options, Interest Bonus of 0.55% will be credited annually on policy anniversary starting in year 2.

**Q/A Is another option besides the Enhancer Bonuses available?**

Yes, you may select the Interest Bonus option instead of an Enhancer Option. The Interest Bonus begins in the second policy year. The Interest Bonus is at least 0.55%. The Interest Bonus amount may vary by strategy. The Interest Bonus is applied to all segments except for the standard loan collateral account. There is no extra charge for the Interest Bonus.

**Q/A Can I have both the Enhancer option and the Interest Bonus option?**

No. The bonus method must be decided at the time of application. The bonus option chosen also cannot be changed after the policy is issued.

## What you need to know about both IUL products.

**Q/A What is the "Sweep Date"?**

The "Sweep Date" is the 14th of the month for new policies. Because the 14th "Sweep Date" is the day on which we move Accumulated Value from one strategy to another, policies may not be issued with an effective date of the 14th day of any calendar month. We also will not allow effective dates of the 29th, 30th, and 31st of each month. After careful consideration, we determined that these requirements will help speed up the process for "Sweeps" overall.

**Q/A What are the indexed crediting strategies?**

On both products, there are five Point-to-Point indexed crediting strategies:

- S&P 500® Cap Focus Strategy
- S&P 500® Participation Focus Strategy
- S&P 500® 1% Floor Strategy
- Credit Suisse Balanced Trend (not available in NY)
- Hang Seng Index

**Q/A Do the IUL products include the Basic Strategy and Fixed-Term Strategy?**

Yes:

- The Basic Strategy serves as a "holding tank" for 12 months of policy expenses as well as any excess premium until we "Sweep" it into the chosen Indexed Crediting Strategies on the 14th of the month.
- The Fixed-Term Strategy earns an interest rate declared by the company, credited daily, and guaranteed for one year. The minimum guarantee on it is 2% for FlexLife and 1% for PeakLife.

**Q/A What are the products' Risk Classes?**

There are nine primary risk classes for both IUL products. They are aligned with our new 2018 Term products to offer uniformly better risk classes starting at issue age 18. Moreover, Express Standard risk classes are also available for up to \$2 million Face Amount for all issue ages.

**Q/A What else is important to know?**

- The waiting period for the chronic illness provision on our Accelerated Benefit Riders is 30 days.

**Q/A What are the loan provisions?**

Both products include three loan options to help your clients better match their loan choice to their long-term growth objectives.

**1. Participating Variable Loan:** Any loaned Accumulated Value remains in the Crediting Strategies and earns the same interest it would have earned without a loan. The "net cost" of the loan will depend on the interest credited in your Crediting Strategies and the variable loan rate charged on the loan.

**2. Participating Fixed Loan:** This allows you access to your policy's cash value, while still potentially getting the benefits of Crediting Strategies. With this option, loan collateral is charged a fixed rate and it will be placed in a separate indexed strategy called the Indexed Loan Account, where it still earns indexed credits. The "net cost" of the loan will depend on the interest credited and the loan rate charged on the loan.

**3. Standard Loan:** In this case, loaned Accumulated Value is segregated from the Crediting Strategies and credited a separate interest rate. In the first 10 policy years, loaned Accumulated Value will be credited at a rate which is 0.50% lower than the variable loan rate charged on the loan. In policy years 11+, the credited rate on loaned Accumulated Value will equal the variable loan rate charged on the loan. The "net cost" of the loan is 0.50% in policy years 1-10 and 0% in years 11+.

**Q/A How do these features impact the type of IUL prospects I approach?**

We believe these features give your primary IUL target clients more opportunities to ensure a death benefit, as well as protect and grow their assets. At the same time, we are confident that EZ Underwriting and other enhancements will widen your field of ideal prospects.

**Q/A What do the guideline premiums mean for clients?**

One way they help is for clients using their policy not only for a death benefit, but to plan for retirement too. The current guideline premiums are based on the fact we're living longer lives. This has resulted in the ability to pay less premium per \$1,000 of Face Amount. That said, for the same premium they were paying under previous old mortality tables, more of what they do put into their policy can generally go to cash value accumulation. In turn, this helps boost their potential to take advantage of the tax-free retirement strategy, as long as their policies adhere to testing and funding rules related to the definition of life insurance and modified endowment contracts.

**Q/A How does the Benefit Distribution Option work?**

Currently, death benefits can be spread out over a duration of 10-30 years as an alternative to a lump-sum payment.

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The use of cash value life insurance to provide a tax-free resource for retirement assumes that there is first a need for the death benefit protection. The ability of a life insurance contract to accumulate sufficient cash value to help meet accumulation goals will be dependent upon the amount of extra premium paid into the policy, and the performance of the policy, and is not guaranteed. Policy loans and withdrawals reduce the policy's cash value and death benefit and may result in a taxable event. Withdrawals up to the basis paid into the contract and loans thereafter will not create an immediate taxable event, but substantial tax ramifications could result upon contract lapse or surrender. Surrender charges may reduce the policy's cash value in early years.

Riders are supplemental benefits that can be added to a life insurance policy and are not suitable unless the client has a need for life insurance. Riders are optional, may require additional premium and may not be available in all states or on all products.

Additional information about our indexes can be found at <https://www.nationallife.com/docs/digital/ekit/104672/IULLaunch.html>

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