National Life Group®

PeakLife

INDEXED UNIVERSAL LIFE INSURANCE

Product Guide

Products issued by

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

PeakLife Indexed Universal Life Insurance and associated riders are underwritten by National Life Insurance Company, Montpelier, VT and Life Insurance Company of the Southwest, Addison, TX.

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Quick Reference Guide

PeakLife is exclusive for emerging and affluent markets with $1M+ face amounts.

PeakLife offers competitive funding limits, product performance at older ages, strong short-term and long-term cash value, competitive income solves and simplified design with concentrated rider offerings.

Product Focus:

- Upside potential of interest crediting based in part on the change in a market index
- Downside protection from the indexed crediting strategy floor when the index declines
- Flexibility to meet demands of life
- Potential for cash value accumulation
- Estate preservation or equalization
- Six crediting strategies including five indexed crediting strategies to diversify cash values

Highlights:

- **Lifetime Income Benefit Rider**[1] – With the Lifetime Income Benefit Rider, your clients have the potential to receive a stream of income for life – guaranteed!
- **Benefit Distribution Option Rider** – Allows death benefit to be spread over a duration of 10-30 years
- **Overloan Protection Rider**[2]– Offers protection against policy lapse
- **Systematic Allocation Rider** – Available for large annual premiums to balance interest rate fluctuations
- **Enhancers** – Choose from three bonus options that may enhance accumulated value:
  - Enhancer
  - Enhancer Plus
  - Enhancer Max
  - There is a charge for Enhancer Plus and Enhancer Max that is applied annually regardless of whether interest is credited.
  - The Enhancer is available at no additional cost.
- **Loan Options:**
  - Participating Variable
  - Participating Fixed
  - Standard
- **Accelerated Benefits Riders** – At no-additional cost
- **Interest Crediting Strategies:**
  - Fixed Interest Crediting Rate
  - Point-to-Point, Cap Focus, based on the S&P 500® Index
  - Point-to-Point, Participation Rate Focus, based on the S&P 500® Index
  - Point-to-Point, Cap Focus, based on the S&P 500® Index 1% Floor Option
  - Hang Seng Index Cap Focus Strategy
  - Point-to-Point, No Cap, based on the Credit Suisse Balanced Trend Index (not available in NY)

Riders are optional may be available at an additional cost and may not be available in all states.

Receipt of Accelerated Benefits will reduce the Cash Value and Death Benefit otherwise payable under the policy, may result in a taxable event, and may affect your client's eligibility for public assistance programs.

1 The Lifetime Income Benefit Rider provides a benefit for the life of the insured if certain conditions are met, including but not limited to the insured's attained age being between 60 and 85 and that the policy has been inforce for at least 10 years. Insufficient policy values, outstanding policy loans and other considerations may also restrict exercising the rider. Receipt of income benefits will reduce the policy's death benefit and cash surrender value and may terminate other riders or reduce their benefits. There is a charge for the rider during the income payment period. Guarantees are dependent on the claims paying ability of the issuing company.

2 Substantial limitations apply to exercising the Overloan Protection Rider, including the policy be inforce for at least 15 years and the insured having attained the age of 75. Exercising the rider results in a paid-up policy. There is no cost for this optional rider, however there is a fee charged when the rider is exercised.

Product Details

Issue Ages:	18 to 85 (age nearest birthday)
Minimum Face Amount:	$1,000,000 includes both Base and APB coverage
Pension Minimum Face Amount:	$1,000,000 underwritten only
Death Benefit Options:	Both Option A and B available
Policy Protection Period:	10 years
Minimum Premium:	$25.00
Maximum Premium:	Both GPT or CVAT Tests allowed

Rate Classifications:

Premium Class	Available Band
Elite Preferred Non-tobacco	18 – 75
Preferred Non-tobacco	18 – 85
Select Non-tobacco	18 – 85
Verified Standard Non-tobacco	18 – 85
Preferred Tobacco	18 – 85
Verified Standard Tobacco	18 – 85

Substandard:	Table ratings and flat extras available with Standard rate classes. Table ratings are not available on all face amounts. For face amounts $1,000,000 – $2,000,000, the insured would be put into an express class.
Banding:	Band 1: $1,000,000 – 4,999,999 Band 2: $5,000,000 and up
Min. Interest Rate:	1.0% Fixed Strategy
1035 Exchanges with Loans:	Allowed – up to 50% of gross transferred amount
Surrender Schedule:	10 years
Policy Loans:	Participating Variable, Participating Fixed and Standard Loans available after the first policy year.
Withdrawals:	Available after the first policy year, $500 min.
Expense Charges:	Monthly Policy fee: $6 Premium Load: 8% in year 1; 6% in years 2+; Premium Load is guaranteed 8% in all years, except in NY Refer to charges section of product guide.
Riders:	Accelerated Benefits Riders – terminal, chronic, critical illness, critical injury Additional Protection Benefit Rider Lifetime Income Benefit Rider Balance Sheet Benefit Rider Benefit Distribution Option Rider Overloan Protection Rider Systematic Allocation Rider Qualified Plan Exchange Privilege Rider Waiver of Monthly Deductions Rider Waiver of Specified Premium Rider

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Individual Insurance Strategies

Prospect Profile #1 – Wealth Creation and Replacement

For prospects who are focused on wealth creation or replacing wealth lost to significant estate settlement costs,[3] PeakLife can be the financial solution through the tax-free death benefit.[4] PeakLife can provide liquidity to help protect assets that may otherwise have to be sold in less than ideal economic conditions.

PeakLife also offers additional asset protection through the living benefits added to the policy at no cost, known as Accelerated Benefits Riders. These riders can provide access to cash values in the event of a Terminal, Chronic, Critical Illness or Critical Injury.

When death benefit protection is the focus, the Additional Protection Benefit Rider can increase the total death benefit protection without significantly increasing the cost of coverage.

Prospect Profile #2 – Tax-Free Retirement Strategy

Prospects who are looking for death benefit protection with a focus on cash value accumulation for lifetime needs and/or for those looking to reduce or eliminate future out-of-pocket premiums.[5]

With policy values tied to the performance of a market index, PeakLife offers upside potential with downside protection. Through tax-deferred accumulation of cash surrender value and tax favored distributions, PeakLife is an ideal product when there is an interest in taking lifetime distributions as part of a tax-free retirement strategy.

PeakLife offers a variety of loan options, including the Lifetime Income Benefit Rider (LIBR). Tie these features to the Tax-Free Retirement Strategy, and you have a powerful story to tell your clients.

In order for your client to take complete advantage of PeakLife's exciting planning opportunities, they should be encouraged to fund their policy to the maximum limits.

For individuals making a large annual premium payment, the Systematic Allocation Rider provides the opportunity to spread the net premium over multiple crediting periods.

Prospect Profile #3 – Business Owner Market

Business owners who have a business partner or key employee(s), and are interested in ways to:

- Protect the business against the loss of the business partner or key employee
- Build retirement security for themselves or their key employees
- Attract, retain and reward top talent
- Create a business transition plan

PeakLife may be the ideal solution for funding a buy-sell agreement, providing an executive bonus plan, or a non-qualified deferred compensation arrangement.

By providing premium flexibility, upside interest crediting potential through the indexed strategies, and optional benefits in the event of a terminal, chronic, critical illness or critical injury, PeakLife is ideal for business planning situations.

Premium Finance Arrangements

If the client chooses to work with a financial institution to finance all, or a portion, of their premium, PeakLife may be the ideal product solution and is designed to meet the policy value needs of these funding arrangements.

PeakLife provides liquidity to help cover these costs and protect assets that may otherwise have to be sold in less than ideal conditions. Plus, clients have access to Accelerated Benefits Riders in the event they are diagnosed with an illness that is terminal, chronic or critical or in the event of a critical injury. These living benefits will provide funds that can be used for any purpose, not just for expenses related to the illness or injury. These extra funds can help protect their assets from possible expense erosion related to an illness that is terminal, chronic or critical or related to a critical injury.

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3 The companies of National Life Group® and their representatives do not offer tax or legal advice. Please encourage your clients to seek tax or legal advice from their appropriate professional advisor.

4 Internal Revenue Code § 101(a)(1). There are some exceptions to this rule. Please consult a qualified tax professional for advice concerning your individual situation.

5 It is possible that coverage will expire when either no premiums are paid following the initial premium, or subsequent premiums are insufficient to continue coverage.

Understanding Interest Crediting

Indexed Universal Life (IUL) offers death benefit protection and the potential for cash surrender value accumulation based in part on interest credited from a market index.

Life Insurance creates an immediate reservoir of funds that, at death, can be used to help protect the financial security of your client's family or to help maintain their business.

In addition to the death benefit, IUL insurance also offers the potential to build cash surrender value, on a tax-deferred basis, which may be accessed income tax-free during your client's lifetime through policy withdrawals and loans.

The cash surrender value accumulation is dependent on the interest crediting rates paid by the insurance company on the premiums in excess of the insurance costs. Besides the fixed interest crediting strategy, our IUL products offer the option to have interest credited based on the changes in either the S&P 500® Index, Hang Seng or Credit Suisse Balanced Trend Index.

How do the indexed strategies' cap and participation rates work?

The indexed strategies credit interest by measuring differences in the S&P 500®, Hang Seng or Credit Suisse Balanced Trend Index. IUL products do not directly invest in the index or in any other securities.

Each indexed strategy has a participation rate. The participation rate determines what percentage of the index change is used in the calculation of credited interest. The participation rate can be less than, greater than or equal to 100%.

Some of the strategies also have a cap rate. The cap rate limits the amount of interest that a strategy will credit.

Index Strategies

Indexed strategy credited interest is determined by applying the participation and cap rates to the change in the selected index.

First, the change in the index is determined. This is measured over the course of a year. Each starting point or initial level is determined as of the 14th of each month. Premiums allocated to an indexed strategy will enter the strategy on the 14th of each month. If the premium is paid after the 14th of a given month it will be placed, or swept, to its allocated strategy on the 21st of the following month. A sweep occurs assuming the Basic Strategy minimum is met.

For Point-to-Point

The starting index value is compared to the ending index value exactly one year later on the 14th of the 12th month. If the ending value is less than the starting value, the interest credit is the guaranteed floor, 0% or 1% depending on the indexed strategy. This is the guaranteed floor of the indexed strategies and is often referred to as the "downside protection" offered by indexed products.

If the ending value of the index is greater than the initial value, the percent change is calculated— (the ending value) / (the beginning value) – 1 = the % change.

Cap Focused and Participation Focused Strategies:

- If % change times the Participation Rate > Cap then the interest credited is the cap rate
- If % change times the Participation Rate < Cap then interest is credited based on the change in the index value and the Participation Rate. If the change is negative, the guaranteed floor of 0% or 1% (depending on the indexed strategy) credited will be exercised.

Which strategy is best?

A question that comes up often is which strategy is best? Many people assume that the strategy with the highest illustrated rate will perform the best since maximum illustrated rates are determined by historical index results. However, past performance is not an indicator of future performance.

There is no way to know which indexed strategy will perform the best, either over the long term or the short term. There are several things that could be considered "best practices" when determining indexed strategy allocations.

The Fixed Strategy is a fixed interest strategy that credits a declared interest rate. It is not reliant on any index. Any amount of policy value and premium payments can be allocated to the fixed account.

Allocations can also be divided among some or all of the strategies. There is no way to predict which strategy will perform the best, but by spreading the allocation across all of the strategies, you can potentially capture at least some of the best returns.

When paying a large single premium or lump sum as in a 1035 exchange, it may be prudent to allocate a portion to the Fixed Strategy to minimize the potential of all "eggs in one basket." Then funds could be periodically moved from the Fixed Strategy to the indexed strategies.

A different way to accomplish this is to use the Systematic Allocation Rider,[6] which can be added to any of our indexed universal life policies. Systematic Allocation allows your clients to use a lump sum or 1035 exchange and spread the strategy allocations over a 12 month period rather than dumping them into the strategies all at once.

How do the companies of National Life Group invest to provide indexed credits?

Our insurance companies do not invest directly in the S&P 500®, Hang Seng or Credit Suisse Balanced Trend Index to provide indexed strategy credited rates. We transact in options to provide indexed credits as part of investment strategy known as hedging. Hedging is an investment technique designed to reduce or eliminate financial risk.

To deliver indexed credits, we purchase one year calls on the S&P 500®, Hang Seng or Credit Suisse Balanced Trend indices in sufficient quantity to cover the portion of account value eligible to receive indexed credits. If the index increases we exercise our call options and receive amounts needed to cover our indexed credited obligations.

On strategies with cap rates, it is possible to offset the cost of purchasing the necessary call options by simultaneously selling call options. The calls we sell give the excess return of the index, above what is needed to cover our interest crediting expenses, to the purchaser of the call. The company does not profit from our hedging strategy. We only use the hedging to provide indexed-linked interest crediting.

6 Systematic Allocation does not guarantee an advantage over the annual crediting method.

How are the cap and participation rates determined?

Cap and participation rates are determined by several factors. The most obvious factor is the price of options. Generally, as option prices increase, cap and participation rates decrease. A number of financial factors cause option prices to increase. An important driver of option costs is index volatility. The more volatile the underlying index is, the higher the option costs are. The index price level, the risk-free interest rate, and the option "strike" price are also factors in determining option prices.

Since Indexed Universal Life is a fixed insurance product, it is backed by assets in our General Account. These assets earn investment income. But the amount of this investment income can vary as interest rates change. Generally, the more investment income the company earns, the more we have to purchase options and the higher our cap and participation rates will be. In times of depressed investment earnings, the less we have to spend on options to back our indexed strategies and the lower our cap and participation rates will be.

How are renewal cap and participation rates determined?

For our products with one-year strategy terms, our renewal cap and participation rates have been the same as our new money rates. Determination of the renewal rates for one year strategies is identical to the determination of the rates for new money.

All of our indexed products are managed on a portfolio rate basis. This means that all assets backing the account value and all investment income from those assets are aggregated.

How are maximum illustrated rates determined?

Our maximum illustrated rates for each strategy are determined by applying an industry regulation. This involves applying our current cap and participation rates to every hypothetical 25-year index return sequence for the past 65 years to determine an average return.

Since Indexed Universal Life is a fixed insurance product, it is backed by assets in our General Account. These assets earn investment income. But the amount of this investment income can vary as interest rates change. In other words, we model the returns as though our products had been available for the past 65 years and assume that money was deposited each month for the each 25 year "look-back" period. The average annual return is calculated, adjusted and becomes the maximum illustrated rate. "Back-casting" to determine maximum illustrated rates only estimates the strategies' hypothetical historical results and can't be used to predict future results. In addition, some states limit the maximum rate allowed to be illustrated on indexed products, so illustrations in those states will reflect that limit.

How often can strategy allocation changes be made?

Allocations can be changed at any time. But money already in a strategy will only be reallocated according to any changes at the end of the strategy term.

What is the Basic Strategy?

The Basic Strategy is a fixed account and does not earn indexed interest credits. When paid, all premiums are allocated to the Basic Strategy prior to being allocated according to allocation instructions. Once an amount equal to the estimated amount of insurance charges for the next 12 months is in the Basic Strategy, excess amounts will be moved to the indexed strategies and Fixed Strategy according to the desired allocation. Amounts in the Basic Strategy also earn daily interest at an annual equivalent rate at least equal to the policy's minimum guaranteed interest rate.

How do loans work?

Policy loans are a contractual right. The policyowner has the right to borrow money from the insurance company by using policy cash surrender value as collateral for the loans. Other than having sufficient policy cash surrender value to use as collateral, there is no condition on being able to borrow money from the insurance company.

Since the insurance company is lending and needs to earn a return on its assets, loan interest is charged on the amount borrowed. This interest can be paid as it is due or it can be "capitalized" by adding it to the amount borrowed thus increasing the policy loan.

There are three types of loans:

1. Participating Variable Loans – A policyowner's collateral stays in the indexed strategies, and the loan rate is variable
2. Participating Fixed Loans – A policyowner's collateral is moved to a dedicated indexed strategy, and the loan rate is fixed at issue.
3. Standard Loans – A policyowner's collateral is moved to a fixed collateral account, where it earns a fixed rate, while the loan rate is variable. The spread between the rate credited and the loan interest charges is low for the first ten years and then is zero.

Variable loan rates may not exceed an amount determined from the current Moody's Composite Yield on seasoned corporate bonds. Current variable loan rates are determined monthly by the company. However, for a given policy, the loan rate is only reset annually on the policy anniversary.

Participating Loan provisions means that loan collateral remains in indexed strategies and earns indexed interest credits even while being used as loan security. The loan interest rate is charged normally. So, in times when indexed interest credits exceed policy loan interest rates, IUL policyowners will actually earn more on collateral amounts than they are charged on the loan amounts. The opposite condition, or being "upside down" can be very harmful to the insurance policy. Loans should be managed carefully.

An owner can switch the loan type once per policy year without paying off the existing loan. This can be a policy-saving difference if loans ever go upside down.

There are a couple of things to remember about policy loans:

1. Insurance deductions continue even if there is a loan, so sufficient unloaned cash surrender account value must remain or extra premium payments may need to be made to continue coverage, otherwise a policy may lapse causing adverse tax consequences on loan amounts already received and loss of the policy and coverage.
2. Policy loan amounts reduce cash surrender values and policy death benefits.
3. Loans can be repaid; amounts meant for loan repayment should be clearly designated as such otherwise they will be considered premium payments.

How do withdrawals work?

In contrast to a policy loan, withdrawals are an actual removal of cash surrender value from the policy. Withdrawals may be taken for any amount up to the cash surrender value of the policy less 3 monthly deductions. There is currently no withdrawal fee assessed on withdrawals. However, we may charge as much as $25 per year.

The portion of the cash surrender that consists of premiums paid into the policy is known as "basis" with any amounts above that considered gains. Cumulative withdrawals up to the basis amount are non-taxable provided premiums were paid with after-tax money. Withdrawal amounts above basis are taxable as income. Once the basis is withdrawn from a policy, it is usually advisable to switch to loans to access any additional cash surrender value. This avoids any immediate tax consequence, but it is important to keep the policy in force, otherwise the loans become taxable on policy lapse.

Often for Standard Loans, the most efficient way to draw on policy cash surrender value is to use withdrawals up to basis and then take policy loans for further cash flow. Keep in mind that loans and withdrawals reduce the cash surrender value and the death benefit of the policy.

Account Strategies

Standard & Poor's Composite Index of 500 Stocks (S&P 500®)

Cap Focus Strategy
(Point-to-Point)
- Higher Cap Rate than other strategies.
- Participation Rate will always be equal to or greater than 100%.
- Guaranteed Minimum Cap 3.1%.

Participation Focus Strategy
(Point-to-Point)
- Higher Participation Rate than other strategies.
- Participation Rate will be at least 110% or greater.
- Guaranteed Minimum Cap 3.0%.

1% Floor Option
(Point-to-Point)
- Guarantees a Floor of 1%.
- Participation Rate will always be equal or greater than 100%.
- Guaranteed Minimum Cap is 2.1%.

Hang Seng Index

Hang Seng
(Point-to-Point)
- Participation Rate will always be equal or greater than 100%.
- Guaranteed Minimum Cap is 3.0%.

Credit Suisse

Balanced Trend
- Participation Rate will always be equal or greater than 50%.
- We guarantee no Cap on this strategy.

Fixed Accounts

Fixed Term Strategy
- Credited daily, a fixed interest rate declared by the company and guaranteed for one year.
- 1.0% Guaranteed.

Enhancer Bonus Options

Every PeakLife policy comes 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.

The chart below reflects the guaranteed Interest Bonus Charge rates, the Interest Bonus rates and the Maximum Interest Bonus rates for the three levels of the Enhancer bonuses. These are the rates guaranteed by the company.

Enhancer Guaranteed Rates

PEAKLIFE BONUSES	INTEREST BONUS CHARGE %		INTEREST BONUS %		MAXIMUM INTEREST BONUS %	
ENHANCER	N/A		15%		1.00%	
ENHANCER PLUS	1.00%		20%		1.50%	
ENHANCER MAX	**YEARS**		**YEARS**		**YEARS**	
	1-19	3.00%	2-20	30%	2-20	2.50%
	20-29	2.00%	21-30	25%	21-30	2.00%
	30+	1.00%	31+	20%	31+	1.50%

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.

Policies in the State of New York

The Enhancer Bonus options are not available in New York. Rather, New York policy owners receive a guaranteed Accumulated Value Enhancement, which is 0.50% of the average Accumulated Value during the preceding policy year. When credited, the Accumulated Value Enhancement is applied to the Basic Strategy.

Indexed Interest Crediting Glossary of Terms

Basic Strategy
The account where all premiums are initially paid. Charges are taken from the Basic Strategy. If value in the Basic Strategy is not enough to cover the charges, charges will be taken from the Fixed-Term Strategy and the Index Strategies.

Basic Strategy Sweep Date
The 14th of the month. This is the date that funds in the Basic Strategy, in excess of the minimum value, will be allocated to the chosen interest crediting strategies.

Cap
The maximum annual effective interest rate than can be credited to an Index Segment. Not all strategies have a cap.

Ending Index Value
The value of the Index at the end of the day an Index Segment ends.

Fixed-Term Strategy
A rate of interest declared by the company will be credited to this account daily.

Guaranteed Interest Rate
This is the minimum rate that will be credited to funds in fixed term strategies. This rate is also used to calculate guaranteed accumulated and cash surrender values.

Index
The indices used for National Life and Life Insurance Company of the Southwest are the S&P 500®, Hang Seng or Credit Suisse Balanced Trend Index.

Index Segment
Each time premiums are transferred from the Basic Strategy to an Index Strategy a new Index Segment is created. Each indexed segment is 12 months long.

Indexed Interest
The interest credited to an Index Segment using the Point-to-Point strategy.

Participation Rate
The percentage applied to the Index Growth used in the formula to calculate the Indexed Interest for an Index Segment. All strategies have a participation rate.

Point-to-Point
Compares the Starting Value of an Index Segment to the Ending Value of that same Index Segment to determine the Index Growth.

Policy Segment Year
The 12-month periods, beginning when an Index Segment is created, used to determine the Indexed Interest earned on the value of the Index Segment.

Starting Index Value
The value of the Index at the end of the day an Index Segment begins.

Death Benefit Options

Both Option A and Option B Death Benefits are available.

The death benefit will be paid in a lump sum unless a settlement option or the benefit distribution option is elected.

The policyholder may elect an Option A (level) or Option B (increasing) death benefit option.

Option A: Under Option A, the death benefit is equal to the greater of

1. the face amount; or
2. the accumulated value multiplied by the applicable corridor factor

Option B: The death benefit is equal to the greater of

1. the face amount plus the accumulated value; or
2. the accumulated value multiplied by the corridor factor

For both options the death benefit is reduced by any policy debt and any monthly deductions due.

Comparison of Death Benefit Options A and B

Death Benefit Option A

The death benefit remains level and generally allows for the maximum potential growth in the accumulated value.

Death Benefit Option B

The death benefit equals the initial amount of coverage plus the accumulated value. The death benefit will vary based on the growth or decline in the accumulated value. This option is for clients who want additional life insurance protection. Also, Option B generally allows for more premium for those clients wishing to maximally fund their policies.

Change in Death Benefit Option

The policy's death benefit option can be changed from Option A to Option B, or B to A, once each policy year after the first policy anniversary. If a change would cause a policy to no longer qualify as life insurance for federal income tax purposes, the change will not be allowed.

Change from Option A (Level) to Option B (Increasing)

The face amount of the policy will be reduced by the accumulated value just prior to the effective date of the change.

Change from Option B (Increasing) to Option A (Level)

The face amount will increase by an amount equal to the accumulated value just prior to the effective date of the change.

In both cases listed above, the death benefit is the same before and after the change.

Change in Face Amounts

After the first policy anniversary the policy holder may apply for an increase or decrease in coverage subject to the following terms:

Increase in Face Amount:

- Satisfactory proof of insurability.
- The requested increase meets or exceeds the minimum increase amount of $25,000.
- Each increase in Face Amount will have its own coverage segment that has its own Monthly Cost of Insurance charges, Monthly Expense Charges, and Surrender Charges, as well as new incontestability and suicide exclusion period.
- Each increase will have its own surrender charges and monthly per thousand of face amount administration charges.

Decrease in Face Amount:

- Decreases which would reduce the face amount of the policy below the minimum face amount will not be permitted.
- During the first 9 policy years, the total face amount of the policy, plus any additional protection benefit riders, may be no less than 75% of the largest total face amount in force at any time in the 12 months prior to the request.
- Decreases do not affect the level of surrender charges or administrative charges.
- A decrease will not be permitted if it causes the policy to fail the definition of life insurance test as defined in the Internal Revenue Code.

Each change in coverage will cause the Commissionable Target Premium (CTP) and Minimum Monthly Premium (MMP) to be adjusted.

Loans, Withdrawals and 1035 Exchanges

Types of Policy Loans

Loan collateral does not need to be transferred to a fixed collateral account. The collateral can remain in the indexed strategies and earn index credits. This is known as a participating loan because it "participates" in indexed interest crediting.

Participating Fixed Loan

- Loan collateral is charged a fixed rate.
- Loan collateral will be placed in a separate collateral indexed strategy known as the Indexed Loan Account where it earns indexed credits.

Participating Variable Loan

- Loan collateral is charged a rate that varies with an external economic index.
- Loan collateral remains in the indexed strategy allocations and continues to earn indexed credits.

Standard Loan

- Loan collateral is charged a rate that varies with an external economic index.
- Loan collateral is transferred to a Loan Collateral Account. The collateral is credited a rate which differs from the loan rate by a fixed spread. The spread will be 0.50% in policy years 1-10 and 0% thereafter.

For Participating Variable and Standard Loan, the variable loan rate will never be greater than the Basic Strategy credited rate plus 2%.

Overloan Protection Rider

Policy loans from PeakLife are received income tax-free. If the policy lapses with outstanding policy loans, there could be taxable income to the policy holder. In the event loan balances threaten the contract's ability to stay inforce, and the terms of the rider are met, the Overloan Protection Rider will restructure the policy so it will not lapse. Substantial limitations apply to exercising the Overloan Protection Rider, including that the policy be inforce at least 15 years and the insured has attained the age of 75. There is a cost when the rider is exercised. Riders are optional and may not be available in all states.

Withdrawals

- At any time after the first policy year, a policy holder may withdraw funds from the contract's cash surrender value subject to the following terms:
- The minimum withdrawal amount is $500.
- A fee up to $25 may be charged at the time of withdrawal.
- The amount of withdrawal may not exceed the cash surrender value minus three monthly deductions due on the last monthly policy anniversary.
- A withdrawal will not be permitted if it will reduce the face amount below the minimum face amount for the policy or if it would cause the policy to no longer qualify as life insurance for federal income tax purposes.
- The accumulated value will be reduced by the amount of the withdrawal plus any surrender charges and withdrawal fees.

If death benefit Option A is in effect, the face amount of the policy will be reduced by an amount equal to the amount of the withdrawal and withdrawal fees.

Policy loans and withdrawals reduce the policy's cash surrender value and death benefit and may be a taxable event. Surrender charges may reduce the policy's cash surrender value in early years. Outstanding policy loans will restrict the Lifetime Income Benefit rider from being exercised.

1035 Exchanges

PeakLife IUL accepts 1035 Exchanges, including 1035 Exchanges with loans up to 50% of the gross exchange amount. For 1035 Exchanges, loans are available at issue, the policy holder has the option of any of the three loan options, but will default to Participating Variable Loans.

Premium Payments

Premiums

Universal Life is a flexible premium product so premiums can be paid in various amounts and frequencies by the policy holder subject to the following limitations:

- Minimum premium: $25.00
- Maximum premium: Limit imposed by the IRS for qualifying the policy as life insurance.

Although policy holders have premium flexibility with universal life, it is important to educate them on how paying smaller or larger premiums can impact their policy's cash surrender value. If the policyholder's goal is to accumulate cash surrender value that can be used down the road, for instance with the Tax-Free Retirement strategy or by exercising the Lifetime Income Benefit Rider, then it is especially important to emphasize this and encourage them to fully fund their policy by paying premiums in excess of the minimum.

Insurance Premium Test

Under Section 7702 of the Internal Revenue Code, a policy will generally be treated as life insurance for federal income tax purposes if, at all times, it meets either the:

- Guideline Premium Test (GPT) – otherwise referred to as the DEFRA Limit or
- Cash Value Accumulation Test (CVAT)

Both tests require a set of corridor factors which are used to define the minimum amount of death benefit above the contract's accumulated value which must be maintained.

The GPT also places limits on the amount of premium that can be paid into a given contract. These limitations can have an effect on the ability to pay premiums and/or make changes to the policy such as taking a withdrawal or changing the death benefit option.

The CVAT places no limits on the amount of premium that can be into a given contract, but the CVAT corridor factors are generally higher than those required under GPT.

The policyholder may choose between using the GPT or the CVAT to demonstrate compliance with IRC Section 7702. The choice is made at issue and is irrevocable.

Charges

Policy Protection Period

The policy protection period helps protect the policy against lapse and corresponds to the first 10 policy years. For the 10 year policy protection period, cumulative premiums paid less withdrawals, less debt must be greater than or equal to cumulative Minimum Monthly Premiums. There is no interest adjustment in this calculation. If the premium test is met and the policy has positive Accumulated Value net of debt then the policy will not lapse even if the Cash Surrender Value is zero. An increase in coverage does not initiate a new policy protection period but it does increase the Minimum Monthly Premium. Premium payments just equal to the Minimum Monthly Premiums will ensure that a death benefit is payable under the policy, but this level of funding will not necessarily provide for the build-up of significant accumulated value in the policy.

Surrender Charges

Surrender charges generally apply during the first 10 years of the policy. A dollar amount of surrender charge will be determined based on issue age, sex, rate class, policy face amount, and duration. Each increase in face amount, other than those resulting from changes in death benefit option, those resulting from the appropriate application of the death benefit factors, or those resulting from an Additional Protection Benefit rider, will have its own 10-year surrender charge schedule. Face amount decreases do not reduce surrender charges.

Percent of Premium Expense Charge

An 8% charge in year 1 and a 6% charge in years 2+ are applied to all premiums; 8% guaranteed for all years except in New York, in which the guarantee is an 8% charge in year 1 and a 6% charge in years 2+, applied to all premiums. Internal 1035 amounts are not subject to the percent of premium charge.

Monthly Deduction

The Monthly Deduction due on a Monthly Policy Date is the Monthly Cost of Insurance, plus the Monthly Expense Charge, plus the Monthly Policy Fee, plus the Monthly Percent of Accumulated Value Charge, plus the monthly cost of any additional benefit riders in force on this policy.

Monthly Expense Charge: This is a charge on the face amount and additional protection benefit sum insured. The charge varies based on issue age, sex, rate class, face amount and duration. On a current basis it is charged only for the later of age 80 or 15 years; on a guaranteed basis the charge duration is lifetime. In New York, the charge is for the later of age 80 or year 15, both on a current and guaranteed basis. Each increase in face amount, other than those resulting from changes in death benefit option, or those resulting from the appropriate application of death benefit factors, will have a charge associated with it. Face amount decreases do not reduce the Monthly Expense Charge.

Monthly Policy fee: $6.00 per month

Monthly Percent of Accumulated Value Charge: 0.04% of accumulated value for first 10 years on a current basis, all years on a guaranteed basis.

Monthly Cost of Insurance

The Monthly Cost of Insurance for a given policy is equal to the applicable Monthly Cost of Insurance Rate multiplied by the Net Amount at Risk.

The current monthly cost of insurance rates vary based on the issue age, rate class, sex and duration of the policy.

The net amount at risk is the death benefit plus any debt to the company minus the accumulated value

Accelerated Benefits Riders (ABR)

Refer to the Accelerated Benefits Riders agent guide for more details.

ABR for Terminal Illness

Accelerates death benefit during lifetime for terminal illness.

Overview

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. ABR is a no-additional premium rider that allows for the death benefit, on a discounted basis, to be accelerated during lifetime, for terminal illness. A unique feature about ABR is that benefits do not have to be used to defray actual expenses associated with the terminal illness. They could be used for such things as making structural changes to a home to accommodate the illness, compensating a non-licensed care provider, etc.

Terminal Illness Definition

Terminal Illness advances payment, under certain circumstances and on a discounted basis, payment of all or part of the policy's death benefit prior to the death of the insured. The accelerated payment can be made if the Insured is suffering from a terminal illness that will result in death within 24 months (For NL: 12 months in CT, NY, and PA) (For LSW: 12 months in CT, PA and VT).

ABR Terminal Benefit

The amount of death benefit available for ABR payout is based on a discount factor of the death benefit amount. The amount accelerated will reduce the death benefit, the cash surrender value and the loan value. A summary of the projected discounted death benefit amount can be illustrated through the NLGroup Illustration system.

For Terminal Illness, National Life will accelerate, income-tax free, the discounted death benefit, not to exceed a lifetime maximum of $1,500,000 per insured. There is no annual limit and the benefit can be received as a lump sum if desired. ABR Terminal does not have a waiting period.

Limits may vary by state, please refer to your policy form for details and limitations that may apply in your state.

Payment of Accelerated Benefits will reduce the Cash Value and Death Benefit otherwise payable under the policy. Receipt of Accelerated Benefits may be a taxable event and may affect eligibility for public assistance programs. Policyholders should consult their personal tax advisor to determine the tax status of any benefits paid under this rider and with social service agencies concerning how receipt of such a payment will affect eligibility for public assistance.

Accelerated Benefits Riders (ABR)

Refer to the Accelerated Benefits Riders agent guide for more details.

ABR for Chronic Illness

Accelerates death benefit during lifetime for chronic illness.

Overview

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. ABR is a *no-additional premium* rider that allows for the death benefit, on a discounted basis, to be accelerated during lifetime, for chronic illness. A unique feature about ABR is that benefits do not have to be used to defray actual expenses associated with the chronic illness. They could be used for such things as making structural changes to a home to accommodate the illness, compensating a non-licensed care provider, etc. ABR proceeds in the state of MA can only be used to pay for expenses incurred for Qualified Long-Term Care Services.[7]

Note: Rider availability and waiting period can vary by state, so make sure to check your policy form.

Chronic Illness Definition

A chronically ill individual is one who has been certified, within the past 12 months, by a licensed health care practitioner as being unable to perform, without substantial assistance, at least 2 out of 6 activities of daily living – ADLs – for a period of at least 90 days due to a loss of functional capacity. The six activities are defined as eating, toileting, transferring, bathing, dressing and continence. Cognitive impairment may also qualify.

ABR Chronic Benefit

The amount of benefit available for ABR payout is based on a discount factor of the death benefit amount. The amount accelerated will reduce the death benefit, the cash surrender value and the loan value. A summary of the projected discounted death benefit amount can be illustrated through the NLGroup illustration system.

NL – Generally, once the policy has been in force for 30 days, National Life Insurance Company will accelerate an annual benefit not to exceed the IRS per diem limit, or the total lifetime maximum of $1,500,000 per insured.

LSW – Generally, once the policy has been in force for 30 days, Life Insurance Company of the Southwest will accelerate 2% of the net death benefit each month or 24% annually, not to exceed the annual limit or lifetime maximum of $1,500,000 per insured.

7 Qualified Long-Term Care Services: The necessary diagnostic, preventative, therapeutic, curing, treating, mitigating and rehabilitative services, and maintenance or personal care services that are required by a chronically ill individual and are provided pursuant to a plan of care prescribed by a licensed health care practitioner.

Limits vary by state, please refer to your policy form for details and limitations that may apply in your state.

Accelerated Benefits Riders (ABR)

Refer to the Accelerated Benefits Riders agent guide for more details.

ABR for Critical Illness and Critical Injury

Accelerates death benefit during lifetime for critical illness and critical injury.

Overview

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. ABR is a no-additional premium rider that allows for the death benefit, under certain circumstances, and, on a discounted basis, to be accelerated during lifetime, for critical illness or critical injury. A unique feature about ABR is that benefits do not have to be used for actual expenses associated with the triggering illness or injury. They could be used for such things as making structural changes to a home to accommodate the medical condition or illness, compensating a non-licensed care provider, etc.

Any claim for critical illness or critical injury benefits for a given Qualifying Event must be filed within 365 days following the occurrence of such Qualifying Event.

Critical Illness Definition

The death benefit can be accelerated when an insured is diagnosed with one of the following triggering illnesses.

- ALS (Lou Gehrig's disease)
- Aplastic Anemia
- Aorta Graft Surgery
- Blindness
- End Stage Renal Failure
- Cancer
- Heart Valve Replacement
- Cystic Fibrosis
- Major Organ Transplant
- Heart Attack
- Motor Neuron Disease
- Stroke
- Sudden Cardiac Arrest

Critical Injury Definitions

The death benefit can be accelerated when an insured is diagnosed with one of the following triggering injuries.

- Coma
- Severe Burns
- Paralysis
- Traumatic Brain Injury

ABR Critical Benefit

The amount of benefit available for ABR payout is based on a discount factor of the death benefit amount. The amount accelerated will reduce the death benefit, the cash surrender value and the loan value. A summary of the projected discounted death benefit amount can be illustrated through the NLGroup illustration system.

The critically ill or critically injured client can request a full acceleration or partial acceleration of the policy's death benefit in the form of a lump sum not to exceed the lifetime benefit maximum of $1,000,000 per insured. There is no annual limit. The level of discounting applied to the death benefit varies depending on the insured's age and the severity of the critical illness or critical injury.

NL – Policy must be in force for 90 days.
LSW – Policy must be in force for 30 days.

Note: Waiting period and Rider availability can vary by state. Make sure to check your policy form.

ABR Critical is not available on Annual Renewable Term. In CA, ABR Critical is only available to clients ages 0 – 64.

Covered critical illnesses and covered critical injuries may vary by state.

Accelerated Benefits Riders (ABR)

Refer to the Accelerated Benefits Riders agent guide for more details.

NL ABR for Chronic Illness – NY State Special

Accelerates death benefit during lifetime for chronic illness.

Overview

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. ABR is a no-additional premium rider that allows for the death benefit, on a discounted basis, to be accelerated during lifetime, for chronic illness. A unique feature about ABR is that benefits do not have to be used to defray actual expenses associated with the chronic illness. They could be used for such things as making structural changes to a home to accommodate the illness, compensating a non-licensed care provider, etc.

This rider also offers a guaranteed paid-up option on any death benefit not accelerated.

Chronic Illness Definition

A chronically ill individual is one who has been certified, within the past 12 months, by a licensed health care practitioner as being unable to perform, without substantial assistance, at least 2 out of 6 activities of daily living – ADLs – for a period of at least 90 days due to a loss of functional capacity and will require continuous care for the remainder of life. The six activities are defined as eating, toileting, transferring, bathing, dressing and continence. Cognitive impairment may also qualify.

In addition to meeting the requirements mentioned above, a life expectancy calculation needs to be completed at the time of acceleration.

ABR Chronic Benefit

The amount of benefit available for ABR payout is based on a discount factor of the death benefit amount. The discount factor is determined by underwriting the insured at claim time to determine life expectancy. The amount accelerated will reduce the death benefit, the cash surrender value and the loan value. A summary of the projected discounted death benefit amount can be illustrated through the NLGroup illustration system.

There is no waiting period for the NL ABR Chronic in the state of New York. Once the chronic illness definition has been met, National Life will accelerate, up to the IRS per diem limit for chronic illness, not to exceed the total discounted death benefit or a lifetime maximum of $2,000,000 per insured.

Additional Protection Benefit Rider (APB)

Provides extra death benefit protection

Overview

The Additional Protection Benefit Rider (APB) provides extra death benefit protection at a cost that is generally lower than the cost of the base coverage and thus, will reduce the overall premium per thousand. The cost per thousand of coverage under the APB Rider is essentially the pure cost of insurance. There is no target premium and no other costs or charges associated with the portion of coverage provided under the APB Rider. Adding the APB Rider can increase the total death benefit protection without significantly increasing the cost. Coverage under the APB rider will be eligible for full acceleration under ABR. The death benefit provided by the rider follows the same rules regarding death benefit options, DEFRA, increases, decreases (& etc.).

Availability

This rider will be available at issue and after issue on the same issue age and rate classes as the base product.

Available issue ages: 18-85

The maximum APB to base blend is 3 to 1. The minimum face amount insured is $25,000.

Charge

There will be no commissionable target premium.

This rider will have a charge per thousand of sum insured, cost of insurance, minimum monthly premiums, and minimum guaranteed premiums.

Balance Sheet Benefit Rider (BSB)

Provides enhanced early duration policy surrender values

Overview

The BSB Rider eliminates all surrender charges on the units of insurance to which it applies. The portion of Surrender Charge to be waived can be any whole percent between 1%-100%. There will be a monthly charge based on issue age, sex and rate class of each insured per unit of coverage for the rider.

For business planning cases: use the BSB rider when it is important to have high early policy values. A business owner may want to increase the policy's collateral value when the policy is being used to fund an employee benefit program such as Key Person, Deferred Compensation or Endorsement Split Dollar.

For personal sales: your client may need to access policy cash surrender value prior to the end of the surrender period for a one time need or if they intend to take a large distribution from the policy for a short period of time, then repay what they have borrowed. Since loans from a life insurance policy are fast and easy to obtain and do not require your client to post collateral, many clients may see their policy cash surrender value as a source of funds for short term loans.

Availability

All issue ages and rate classes as the base product. This rider is not available after issue.

Charges

There will be a monthly charge per thousand of base face amount based on issue age, sex, and rate class of each insured, multiplied by the coverage percentage.

Commissions on units of insurance with the BSB Rider will be paid using a different schedule which levelizes the compensation.

Benefit Distribution Option Rider (BDO)

Death Benefit Paid In Installments for Income Replacement

Monthly Deductions Are Reduced

Overview

At policy issue, the policyowner can chose to have the death benefit paid in installments instead of a single payment. The chosen duration of benefit payments can be from 10 years up to 30 years as long as it is not scheduled to go beyond the insured's attained age 95.

If BDO is elected, a percentage of death benefit is allocated to be paid as installments. This benefit distribution percentage must be at least 50% and can be up to 100% of the death benefit.

Neither the duration of benefit payments nor the benefit distribution percentage may be changed after issue. These choices are irrevocable. BDO may not be discontinued after issue unless an underwritten face amount increase is made.

The duration of benefit payments and the benefit distribution percentage apply equally to the proceeds payable to each of the beneficiaries of the policy.

Since the BDO death benefits are paid out over time, there is less cost for the insurance amounts allocated to BDO. BDO election will tend to increase policy values relative to policies without BDO.

Accelerated benefit rider amounts are paid normally for policies with BDO. Acceleration does not change the percentage of death benefit allocated to BDO, though acceleration reduces total death benefit.

BDO allocation will tend to reduce projected ABR benefits relative to policies without BDO.

The duration of benefit payments and the benefit distribution percentage are applied to Additional Protection Benefit amounts as well.

Availability

- BDO is available for all issue ages and rate classes.
- BDO may not be added after issue.
- BDO is not available for pension cases.

Charges

There is no additional charge for BDO.

Lifetime Income Benefit Rider™ (LIBR)

Growing old in America isn't what it used to be, and in many ways, that's a good thing. People are not only living longer, they have better educations – resulting in better health, higher income and a higher standard of living in retirement.

But there is a flip side to the coin. As Americans continue to live longer a new challenge presents itself: **"How do I make sure my retirement income lasts?"**

The life insurance companies of National Life Group provide life insurance products that help provide your clients and their families security if they Die Too Soon. But what if they Live Too Long?

The Lifetime Income Benefit Rider, once exercised, guarantees your clients income for life – that's money they cannot outlive.

Consumer Profile

- LIBR may be ideal for your clients who want death benefit protection in case they die prematurely, but also want the option to use their policy to supplement their retirement income when survivor protection is no longer a concern.
- Plus, your clients still retain a portion of the death benefit protection with LIBR – even if they exercise their lifetime income benefit, they will always maintain at least a $15,000 death benefit.

Specifications

Product Availability
LIBR is automatically added to all new eligible policies and is available for eligible inforce policies upon policy holder's request.

Issue Ages: 18-75
Not available with substandard table ratings greater than 250%.

Exercise Age Limits
Cannot be exercised before age 60 or after age 85.

Benefit Amount
A defined income base is used in determining the benefit payments available. Benefit payments may be monthly, quarterly, semi-annually or annually.

Waiting Period
10 years. Any face amount increases during this period will trigger the start of a new waiting period.

Death Benefit Option
Available for both Death Benefit Option A and B. If Option B is elected, it will automatically be switched to Option A when LIBR is exercised, as long as the policy still qualifies as life insurance under the Internal Revenue Code. Otherwise, the policy will remain under Option B and the benefit payment will be based on a lower Base Payout Percentage.

Definition of Life Insurance
Only available with GPT, not available for CVAT policies

LIBR is available for both MEC and Non-MEC policies.

How does LIBR work?

LIBR is automatically added to eligible policies at issue. LIBR gives the insured an option to exercise the rider once certain conditions have been met, and receive a lifetime stream of income – guaranteed. There is no additional charge to add the rider to the policy, but there is a monthly charge from the accumulated value during the income payment period. The guaranteed lifetime income is deducted from the policy's account value through policy loans, consequently reducing the policy's cash surrender value and death benefit. The policy owner retains full rights, and control over, the accumulated value until a minimum threshold criterion is obtained.

Once the minimum threshold of the cash surrender value is met, the amount of each subsequent benefit payment will be credited into the policy as a bonus to the basic strategy, and the benefit payments will continue to be funded as fixed net cost loans for the life of the insured. Because the benefit payments are funded as fixed net cost loans, they will not be taxable if the policy is not a Modified Endowment Contract. The death benefit will never be reduced to less than $15,000 and the cash surrender value not less than $1,000.

Are Benefit Amounts Guaranteed?

The benefit is not guaranteed until LIBR is exercised. Once exercised, the income base is set equal to the cash surrender value and is used to calculate benefit payments.

Are Benefits Taxable?

For Non-MEC policies, benefit payments are taken as policy loans, and policy loans are not taxable. For MEC policies, benefit payments are subject to income tax. Policy owners may want to consult with their tax advisors.

What are the eligibility requirements to exercise LIBR?

In addition to meeting issue ages, exercise age limits and the waiting period, conditions include, but are not limited to, the following:

- Any outstanding policy loans must be repaid in full;
- The policy's death benefit ratio is less than or equal to the maximum death benefit ratio, where the death benefit ratio is equal to the death benefit divided by the cash surrender value at the time of exercise;
- Benefit payments are greater than or equal to $100.

Are premium payments still required once LIBR is activated?

No, once the rider is exercised additional premiums cannot be paid, unless the policy holder has decided to temporarily suspend income payments.

Can Income Payments be Stopped and Restarted?

Yes, income payments can be suspended temporarily and can be resumed at any time up to and including the insured's attained age 85. However, income payments may only be suspended or resumed once per policy year.

While income payments are suspended, no LIBR rider charge will be deducted from the policy. Policy holders can make premium payments, loan repayments, request face amount increases or decreases or take partial withdrawals and policy loans – but only while income payments are suspended. Death benefit option changes cannot be requested.

Once income payments are restarted, the new benefit payments will be guaranteed to be at least as much as the prior benefit payments, as long as the policy holder has not requested face amount increases, partial withdrawals or policy loans. If income payments are not restarted before the insured reaches age 85, the rider will terminate.

How are benefits paid and can they change?

This rider includes a ratchet feature which resets the income base at the end of every fifth LIBR anniversary during the income period. At that time if the cash surrender value is higher than it was on the previous recalculation date, the income base will be increased to equal the higher cash surrender value. The benefit payments will then be recalculated using the adjusted income base. If the cash surrender value is lower than it was on the previous recalculation date, the income base will not be reduced.

Policyholders may choose, at the end of the accumulation period, between a Level Payout Option or an Increasing Payout Option. The Payout Option selected may not be changed after the rider has been exercised.

Level Payout Option

Provides benefit payments that remain level, subject to the ratchet feature increases. Payments start at a higher amount than the Increasing Payout Option but are not subject to an annual increase.

Increasing Payout Option

Benefit payments increase on every rider anniversary, by an adjustment amount equal to the benefit payment for the prior year multiplied by the Annual Increase Percentage currently at 3.0%. This increase will continue until the minimum threshold value is reached and the cash surrender value is exhausted, after which the annual Guaranteed Income Payment will remain level at the value of the payment at the last anniversary. The Increasing Payout Option is also subject to the ratchet feature increases.

Overloan Protection Rider

Protects the policy from lapsing when loan values threaten policy

Overview

The Overloan Protection Rider (OPR) protects a policy from lapsing as a result of the loaned amount exceeding the accumulated cash surrender value. This feature can prevent a tax liability as a result of a policy lapse due to being over-loaned.

The policy holder will be notified of this rider option when all conditions have been met. When the rider is put into effect, the policy becomes "paid-up". At this time, there are no future premiums or charges due. Loans and withdrawals are no longer available.

Availability

Issue Ages: 18 – 85

The Overloan Protection Rider is not available in pension sales. This rider will automatically be added to all eligible policies at new issue. This rider is not available with CVAT

Conditions for Exercising the Rider:

- Policy is in corridor
- Loans at least equal to 95% of policy's accumulated cash surrender value
- Policy is in force for at least 15 years
- Insured has attained the age of 75
- There is a charge when the rider is exercised.

Qualified Plan Exchange Privilege Rider (QPEP)

For Qualified Pension and Profit Sharing Plan trust owned life insurance

Overview

The QPEP rider will permit the exchange of the policy to which it is attached for a new policy without evidence of insurability.

Availability

This rider is automatically added to all pension cases at issue.

No evidence of insurability will be required.

Rider Conditions

This rider may be exercised when one of the following events occurs:

- The participant retires or terminates employment with the employer.
- The entire plan is being terminated.
- The plan is discontinuing the life insurance provision.
- Incidental limits have been violated.

The rider is only available with policies that are issued as part of a qualified pension plan.

The original policy will be surrendered while still owned by the pension trust.

Consult your policy form for conditions necessary to exercise this rider for the specific product.

Conditions of New policy

- New policy will be issued based on the age the insured has attained on the date of the exchange.
- The face amount of the new policy cannot exceed the lesser of $2 million or the face amount of the original policy, less the cash surrender value on the date of the exchange. The flex-term dividend options may not be use.
- The maximum face amount under the new policy cannot exceed $2,000,000 and must be at least $25,000.
- The class of risk under the new Policy will be the same as under the pension policy.
- The new policy date will be the date of the exchange.

The new policy may be any traditional whole life policy or flexible premium adjustable benefit life policy offered by the company, and will be issued as an individually owned policy outside of the pension plan.

Charges

There is no additional charge for this rider.

Systematic Allocation Rider

Allocates a net premium (premiums after insurance and administrative costs have been deducted) from new premium, 1035 exchange, or index renewal bucket money into the index strategies over a 12 month period.

Overview

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. The Systematic Allocation Rider (SAR) can be used when a client has new premium, 1035 exchange, or index renewal bucket money in which they wish to spread the money out over a 12 month period.

The Systematic Allocation Rider offers a convenient way for clients to spread their payment or qualifying allocation into the index strategies over the year.

Although the Systematic Allocation Rider may mitigate some risk, it does not guarantee an advantage over regular allocation methods. Simply put, it gives the client a way to balance index crediting fluctuations by capturing more points within the 12 month period.

How Systematic Allocation works

With the Systematic Allocation Rider, the net amount to be allocated is not just tied to the point in the index on the date the premium is paid. Instead, it is divided into 12 equal portions, allocated to the different index strategies according the client's chosen schedule throughout the 12 month period.

Example:

The client pays a $6,000 lump sum single premium (net after insurance and administrative costs have been deducted) into the point-to-point strategy on January 1st. Without the Systematic Allocation Rider, the $6,000 premium minus insurance and administrative costs will be tied to one point, January 14th, and that one point change, January 14th of the current year to January 14th of the following year will dictate your client's annual crediting rate.

This could be good or bad. It all depends on where the index value ends up at the end of the 12 months.

With the Systematic Allocation Rider, interest is credited based on 12 different periods. Essentially 1/12th of their net premium ($500) is allocated to each month. This means that instead of all your client's money being tied to one date, each monthly allocation has its own crediting period. The first allocation would have an annual crediting period of January to January. The second allocation would have a crediting period of February to February so on and so forth with the 12th crediting period based on December to December.

Once the client has elected the Systematic Allocation Rider and created their allocation schedule, the premium is placed into the Basic Account where policy costs can be deducted. From there, the net premium is swept into the Systemic Allocation fixed interest account where 1/12 is allocated to the chosen strategies per month. The remaining 11/12 of the premium remains in the SA account where it earns a fixed interest rate until allocated into an indexed strategy.

Availability

This rider will be added automatically to all IUL policies (pension and non-pension policies).

The rider cannot be exercised while the policy is owned by a qualified pension or profit sharing plan. In order to exercise the rider in such a situation, the policy must first be transferred out of the plan.

The SA Rider option can be elected at issue or anytime thereafter, as long as the allocation schedule has been completed and the option has been elected.

This rider is available for all issue ages and all rate classes. The minimum annual SA premium is $3,600.

Charge

There is no additional charge for this rider.

Systematic Allocation does not guarantee an advantage over the annual crediting method.

Waiver of Monthly Deductions Rider

Waives policy expenses and mortality charges at total disability

Overview

Waiver of Monthly Deductions Rider provides that a policy's expense and mortality charges will be waived should the insured be totally disabled. Waiver begins after the 121st consecutive day of total disability and continues as long as premiums are due if the disability begins before age 60. If the disability begins after age 60, premiums will be waived to age 65 or two years, if longer.

Total disability is defined as:

- Due to injury or disease, the insured is unable to perform the duties of his or her occupation for a period of 24 months
- The insured has the sole occupation of a student and is unable to work as a student, or
- The insured has sustained a complete and permanent loss of one of the following:
  – Sight
  – Hearing
  – Use of both hands
  – Use of both feet
  – Use of one hand and one foot

For the first two years of disability, occupation means the occupation of the insured at the time disability begins. After two years it means any occupation for which the insured is reasonably fitted.

Availability

- Issue Ages: 18-55
- Available only at issue
- This rider is not available in conjunction with Waiver of Specified Premium
- Elimination Period: 6 months

Charges

There is a charge for this rider.

Waiver of Specified Premium Rider

Waives pre-determined amount of premium at disability

Overview

The Waiver of Specified Premium allows your clients to determine how much of their premium will be waived in the event they become totally disabled. If the disability occurs prior to attained age 60, benefits will be paid during the continuance of the disability. If the disability occurs on or after attained age 60 but before attained age 63, benefits will be paid during the continuance of the disability but not beyond attained age 65. If the disability occurs on or after age 63, benefits will be paid during the continuance of the disability for a maximum of two years. The rider terminates at attained age 65 (unless disability occurs prior to attained age 60, in which case the rider terminates at the end of the disability).

Availability

- Issue Ages: 18 – 55
- Available only at issue
- This rider is not available in conjunction with Waiver of Monthly Deductions Rider.
- This rider has an elimination period of 6 months. Benefits are not retroactive to the start of the 6 month elimination period.
- This rider is not available with single premium policies.

Minimum Annual Benefit: Annualized minimum premium less the annualized minimum premium for the Waiver of Specified Premium rider.

Maximum Annual Benefit: Lesser of the annualized planned periodic premium and the guideline level premium for the policy excluding the guideline level premium for the Waiver of Specified Premium rider.

Charges

The charge for this rider will be the specified rate multiplied by the waiver of premium benefit amount, and deducted on a monthly basis.

Total Disability

The insured will be deemed to be totally disabled only if due to injury or disease the insured:

1. Is unable to work at an occupation for economic gain; or
2. Has the sole occupation of a student and is unable to work as a student; or
3. Has sustained the complete and permanent loss of sight, hearing, speech, use of both hands, use of both feet, or the use of one hand and one foot.

For the first two years of disability, occupation means the occupation of the insured at the time the disability began. After two years, it means any occupation for which the insured is or becomes reasonably fitted by education, training, or experience, with due regard to vocation and earnings at the time the disability began.

Limitations

No premium will be waived if:

4. Total disability results from purposely self-inflicted injury; or
5. Total disability results from war, declared or undeclared, or any act of war; or
6. The premium becomes due more than one year before we receive proof of disability.

This rider will have a two year contestability period.

Termination

This rider will terminate:

- On the date that the insured reaches attained age 65, unless:
  - The disability began before the insured reached attained age 60 and the notice of claim terms are met, in which case this rider will terminate on the later of the date that the insured reaches attained age 65 and the end of the disability; or
  - The disability began on or after the insured reached attained age 60 and before the insured reached attained age 65 and the notice of claims terms are met, in which case this rider will terminate on the later of the date the insured reaches attained age 65 and two years following the date of disability.
- On the date that the policy terminates or is converted; or
- At the end of the last year for which premiums are payable; or
- On any premium due date requested by the policyholder; or
- At the end of the grace period for any unpaid premium on the policy.

After Issue Changes

The waiver benefit amount will be increased after issue if additional optional benefits results in a minimum benefit amount that exceeds the current benefit amount. Whenever this happens, the waiver benefit amount will be increased to the new minimum benefit amount. The original premium rate will continue to apply to the increased benefit amount.

We will permit a reduction in the waiver benefit to any amount that is at least as great as the current minimum benefit amount. The original premium rate will continue to apply to the decreased benefit amount.