

Qualified Plan Exchange Privilege Rider

The Qualified Plan Exchange Privilege (QPEP) Rider allows a qualified life insurance policy to be exchanged for a new policy outside of the qualified plan with no medical underwriting.

The exchange can potentially solve problems that can arise with moving a policy, or a portion of a policy, out of a qualified plan.

An employee has an event that requires them to make a decision about their on-going life insurance coverage.

To avoid immediate taxation, the life insurance in the plan is surrendered or reduced. The proceeds from the contract remain with the pension trust.

A new policy is issued outside of the qualified plan, at current age, for the net amount at risk of the policy in the plan (face amount – cash value).

Events That Could Trigger Use of the QPEP Rider

- Retirement or termination from employment.
- The qualified plan terminates.
- The qualified plan discontinues life insurance.
- The plan cannot maintain the level of insurance.

The Advantages of This Strategy

- Avoids immediate taxation on the cash value of the life insurance inside the qualified plan.
- The cash value of the surrendered policy, or portion of the policy, is rolled to the qualified plan's side fund account.
- The new policy is issued on a personally owned basis.
- No evidence of insurability will be required. The class of risk on the new policy will remain the same as on the surrendered policy.
- The rider provides plan participants with the flexibility to change between different types of life insurance, allowing them to adapt their coverage to evolving circumstances over their lifetime.
- The rider enables participants to take advantage of new products with enhanced features that are introduced by National Life Group without having to go through new underwriting.

Defer taxation of the values in the life insurance contract by exercising the QPEP rider and still have Death Benefit protection.

QPEP Alternative

QPEP provides an additional option for the life insurance policy to be exchanged out of the plan.¹

How to Utilize the QPEP Rider

1. Confirm that the participant has experienced a trigger event (see list on page 1).
2. Complete the appropriate term conversion application kit (form 20007) for the state of issue. See instructions for filling out form 20007 below. Submit to contractchange@nationallife.com. Include a cover letter stating that the policy owned by the Pension Trust is to be surrendered and the new policy is being issued under QPEP.
3. Complete [form 2748](#) to surrender the life insurance policy while it is owned by the pension trust. The policy's cash surrender value will be moved to the plan's side fund account, which may then be rolled into an IRA to defer taxation.
4. A new life insurance policy will be issued with a date equal to the exchange date. The policy may be owned by the participant, but can also be owned by the employer or a trust.²

Term Conversion Application form 20007 Instructions

Complete:

- Part A: 1, 2, 3, 4, 5, and 6
- Part B: 1, 2, 3 and 4 if new policy will be UL or IUL, 5 if new policy is whole life, 6
- Part C (if owner of new policy is insured, do not complete)
- Part D
- Part F
- Part G
- Part H: Make note that the pension policy should be surrendered upon issuance of the new policy under QPEP, and include the triggering event to exercise the rider
- Part I
- Part K: The form must be signed by the Trustee of the Pension Plan, in their capacity as a Trustee. This means, the Trustee must sign the form and include the word "Trustee" after their name.
- Interest Crediting Strategy form 8411 (if new policy is IUL)
- Agent Report form 1441G
- Illustration
- Initial Premium for new policy

Note: 20007 Term Conversion Application Kit includes all necessary forms.

Other Factors to Consider

- The new policy will be issued at a sex-distinct premium rate.
- The risk class under the new policy will remain the same as the former policy.
- The new policy will be issued at the insured's attained age and will be subject to normal issue age availability.
- No new underwriting will be required for issuance of the new policy provided that the face amount does not exceed the lesser of \$2,000,000 or the policy's net amount at risk at the time of the exchange.
- Only the following products are available for issuance through the QPEP Rider:
 - TotalSecure Whole Life
 - FlexLife IUL
 - NL PeakLife
 - SummitLife

- Multiple life policies are eligible for the QPEP program subject to the following additional terms:
 - Both insureds under the original policy must be alive at the time the new policy is issued.
 - The new policy must be a joint life policy of the same form (i.e., first-to-die or second-to-die).
 - If the original policy was a second-to-die policy and only one of the insureds is still living, the policy may be exchanged under the QPEP program for a single life policy.

1. For policies issued since 2008, see the rider attached to the contract for specific details.

2. Tax implications may be applicable. Participant should consult with their tax advisor.